CI Global Balanced Yield Private Pool
First Quarter 2020 Commentary

Class F returns (in %) as at March 31, 2020	1 year	3 year	5 year	Since inception (2018-10-29)
CI Global Balanced Yield Private Pool Class F	-2.1	N/A	N/A	5.2

Source: Sentry Investment Management, as at March 31, 2020.

Performance Summary

- In the first quarter of 2020, Class F of CI Global Balanced Yield Private Pool (the "Fund") returned -8.9% compared with the -2.0% return for its blended benchmark (50% MSCI World Total Return Index and 50% ICE BofAML Global Broad Market Total Return Index).

Contributors to Performance

- **Microsoft Corp.** develops software products and services for its five business segments: Windows, server and tools, online services, Microsoft business division, and entertainment and devices division. Its stock outperformed because of strong growth in its Azure cloud platform, which is expected to be a driver of financial performance in years to come. The company also posted good margin expansion and commercial bookings. Although technology spend has been threatened by COVID-19, Microsoft has been insulated, seeing increased demand for software to enable working from homes. We like Microsoft over the long-term because of growing demand for its products and services, clean balance sheet, and strong management team. Overall, it is a very high-quality business.

- **Amazon.com Inc.** operates across several business segments, including the retail sale of consumer products, the sale of electronic devices (Kindle, Echo, etc.), Amazon Web Services (AWS) and streaming services through Amazon Prime. The stock performed well over the last quarter because of strong fourth-quarter results that featured promising adoption of one-day shipping and revenue from AWS that exceeded expectations. The company has been well-insulated from the COVID-19 crisis because it is an essential service and has, in fact, seen increased demand in its e-commerce retail business. We remain shareholders because we have confidence in the company's long-term opportunities in e-commerce, cloud platforms and Amazon's investment in an in-house logistics network.

- **Canadian Pacific Railway Ltd.** is railroad operator with 12,500 miles of track across most of Canada, and in the Midwestern and Northeastern United States. The company performed

well because of its management's margin expansion initiatives and outstanding operational excellence. The company also benefited from rail stable demand across its various end markets (grain, coal, plastics, fertilizer, automotive and more). We remain long-term shareholders because we like the company's wide economic moat and strong competitive positioning.

- **Kinaxis Inc.** is provider of cloud-based supply chain management software that gives its customers end-to-end visibility through its rapid response platform. The stock performed well in the first quarter because the COVID-19 crisis increased the complexity of supply chains, thereby increasing demand for supply chain management software. We became shareholders because we believe in the long-term tailwinds behind Kinaxis' supply chain management software, such as the adoption of e-commerce, and think the business has a compelling value proposition.

- A holding in **Pulte Group Inc. 5.0% January 15/2027** also contributed to the Fund's performance. This bond issued by the high-yield home builder performed well because of strong operations and low debt levels.

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 is suffering from a collapse in travel globally as a result of COVID-19. The company has also had a recent change in management that has caused disruption within the organization. We have concerns around Expedia's ability to manage liquidity through this crisis and have elected to exit the position in favor of more attractive opportunities.

- **Booking Holdings Inc.** provides travel and restaurant online reservation and related services worldwide. The company operates Booking.com, which connects travellers with a selection of places to stay, vacation packages, rental car services and restaurant reservations. The company was negatively affected by the global COVID-19 shutdown, which has dramatically reduced demand for its services. We remain shareholders as we believe Booking's net cash position will provide them with the liquidity to weather this storm.

- **Pembina Pipeline Corp.** is a midstream energy company operating pipelines across Canada. The stock struggled following the fall the oil prices because it decreases exploration and production activity in the Canadian oilfields. Moreover, the company has high degree of operating leverage, which magnifies the company's downside during tough times. Despite these challenges we remain shareholders because we think the business has enough short-

term liquidity make it through the next several months. Moreover, we think the business can pivot towards increased gas exposure.

- **Manulife Financial Corp.** is a provider of financial advising services, insurance and wealth management solutions. The stock underperformed in the first quarter as a result of poor equity and debt market conditions, which reduced the profitability of its asset management business. Declining interest rates are also likely to weigh on the company's ability to meet return on equity targets. Despite these headwinds, we like Manulife's outlook because of the defensive nature of the insurance industry and the high switching costs for customers.

- A bond issued by Canadian-based global oil producer **Vermilion Energy Inc. 5.625% March 15/2025** underperformed when oil prices collapsed.

Portfolio Activity

- We added a position in **Amazon.com Inc.,** which operates across several business segments. The business is attractive because it stands to benefit from trends towards greater adoption of e-commerce. The company's investment in an in-house logistics infrastructure is also promising and suggests that Amazon will be well-prepared to handle the growing demand for its services. We remain shareholders because we have confidence in the company's long-term opportunities in e-commerce, cloud platforms and Amazon's investment in an in-house logistics network.

- We added an equity position in **GFL Environmental Inc**., a diversified environmental services company that offers non-hazardous solid waste management, infrastructure, soil remediation and liquid waste management services. Although the business' commercial and industrial segments have taken a hit during the economic slowdown related to COVID-19, its long-term outlook remains intact. Going forward, the company is expected to post stronger organic growth than its peers in the defensive waste management industry. The business also has a good runway to grow free cash flow and engage in merger and acquisition activity. We like the business because it has a good runway to grow free cash flow and engage in accretive mergers and acquisitions activity.

- A holding in a **Lloyds Bank PLC 6.413%** perpetual bond was added during the quarter. This old legacy bond issued by the U.K. bank is likely to be called in 2022 when it loses capital treatment.

- A position in **Expedia Group Inc.,** the world's largest online travel agency was eliminated as it has been significantly impacted by the collapse in travel globally as a result of COVID-19.

The company's recent change in management, which caused disruption within the organization, was another factor in its sale. We have concerns around Expedia's ability to manage liquidity through this crisis and have elected to exit the position in favor of more attractive opportunities.

- **Gildan Activewear Inc.** manufactures and sells a range of apparel products including T-shirts, tops, bottoms and sportswear. Despite its recent initiatives, the company has suffered from a discouraging macroeconomic background and closures at its manufacturing facilities in Central America. As such, the equity position was eliminated. We exited the position over concerns regarding the company's high degree of operating leverage, customer concentration and exposure to political instability given its operations in Central America.

- The Fund's holding in **Pulte Group Inc. 5.0% January 15/2027** was sold to take profits after strong performance.

Market Outlook

- Government bonds being bought aggressively by both the Bank of Canada and the U.S. Federal Reserve (Fed) should keep yields capped. Investment-grade credit should benefit from Fed purchases, but we expect continued strong new issuance volumes as corporations ensure funding certainty.

- The same principals are at work globally, with European, U.K. and other major central banks putting sizable quantitative easing in place to increase monetary support as interest rates are at zero.

- We will continue to look for opportunities in corporate debt while maintaining sizable duration (sensitivity to interest rates). We expect to reverse the current bias when the yield curve begins to flatten later in second quarter.

- We expect volatility to remain elevated as financial markets grapple with the impacts of COVID-19 and the economic ramifications that will unfold over the coming months.

- We remain focused on owning a portfolio of high-quality businesses that have the ability to generate revenue and free cash flow, while maintaining a well-capitalized balance sheet and ample liquidity that will help them manage through this highly uncertain period.

- We believe that the current environment has created opportunities to purchase these high-quality companies at significant discounts to their intrinsic value. While volatility will remain

elevated, we believe that this increased margin of safety reduces the risk of permanent loss of capital.

Source: Morningstar Research Inc., Bloomberg Finance L.P. and Sentry Investment Management.

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