

CI U.S. Equity Private Pool Third Quarter 2020 Commentary

Class F returns (in %) as at September 30, 2020	1 year	3 year	5 year	Since inception (2018-10-29)
CI U.S. Equity Private Pool Class F	2.2%	N/A	N/A	7.1%

Source: Sentry Investment Management, as at September 30, 2020.

Performance Summary

- In the third quarter of 2020, Class F of CI U.S. Equity Private Pool (the Fund) returned 5.3% compared with the S&P 500 Total Return Index, which returned 6.8%.

Contributors to Performance

- **United Parcel Services Inc.** provides letter and package delivery, specialized transportation, logistics and financial services. The stock performed well during the third quarter because of favourable trends including a shift toward e-commerce in residential parcel delivery and a positively evolving pricing landscape. Looking forward, we continue to like the business given new management's focus on domestic margins and free cash flow.
- **MasterCard Inc.** is a technology company that provides transaction processing and other payment-related services for account holders, merchants, financial institutions, businesses and other organizations. The stock rose in the third quarter because of a recovery in consumer spending following the lifting of COVID-19 lockdowns during the summer months. Although cross-border revenue remains weak, management has been successful in implementing cost-cutting measures. We continue to like the outlook for the business given the increasing adoption of contactless transactions and the company's wide economic moat.

Detractors from Performance

- **Cigna Corp.** is a global health benefits company with a comprehensive portfolio of insurance and related products. The stock declined in the third quarter due to concerns about potential regulatory changes following the November U.S. elections and a high unemployment rate due to the current pandemic. We remain owners of the stock because we think the company can make it through these intermediate term challenges and grow the business over the long term.
- **Manchester United Ltd.** owns and operates the Manchester United Football Club, a Premier League soccer team. The company generates revenue from sponsorships, merchandising,

product licensing and live sports broadcasting. The company was challenged during the third quarter by continued COVID-19 restrictions, which have prevented fan attendance and pressured product-related revenue. Despite these obstacles, we remain owners because of the company's attractive growth opportunities and valuable brand assets.

Portfolio Activity

- We added a position in **Baxter International Inc.**, a health care company that develops medical devices, pharmaceuticals and biotechnology to treat hemophilia, kidney disease, immune disorders and other conditions. We have become more positive on the prospects for Baxter because of positive factors including U.S. Food and Drug Administration approval for its TheraNova dialyzer, a sustained macroeconomic recovery and the aging of populations in Europe and North America.
- **KKR & Co. L.P.** is a global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate and credit. Although our outlook for the business remains positive and we believe that the acquisition of Global Atlantic Financial Group will prove to be accretive, we reduced the position because shares appreciated meaningfully relative to our assessment of the company's intrinsic value.

Market Outlook

- We expect equity market volatility to remain elevated as the world grapples with a second wave of COVID-19 and its economic ramifications, which should continue to unfold over the coming months. Markets will also be impacted by the labour market, fiscal and monetary stimulus, and ongoing global trade tensions.
- We believe the upcoming U.S. election and concerns about its legitimacy will likely contribute to market volatility as well.
- We continue to favour names with positive long-term characteristics that can endure any economic environment, as well as businesses with short-term challenges that are trading at prices well below their intrinsic values.
- We believe the U.S. banking system is well capitalized under a number of recessionary scenarios, while private equity businesses, like core holding KKR & Co., are well positioned to capitalize on opportunities that emerge as a result of the pandemic. As such, we are overweight the financials sector.

Source: Morningstar Research Inc., Bloomberg Finance L.P. and Sentry Investment Management as at September 30, 2020

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