

## CI U.S. Equity Private Pool Second Quarter 2020 Commentary

Class F returns (in %) as at June 30, 2020	1 year	3 year	5 year	Since inception (2018-10-29)
CI U.S. Equity Private Pool Class F	0.9%	N/A	N/A	5.0%

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

### Performance Summary

- In the second quarter of 2020, Class F of CI U.S. Equity Private Pool (the Fund) returned 11.0% compared with the S&P 500 Total Return Index, which returned 15.4%.

### Contributors to Performance

- **Alphabet Inc.** provides online performance and brand advertising services. The company operates through its Google and other bets segments. The Google segment offers products, such as ads, Android, Chrome, Google Cloud, Google Maps, Google Play, hardware, search, and YouTube, as well as technical infrastructure. It also offers digital content, cloud services, hardware devices and other miscellaneous products and services. Google's cloud offerings have experience increased usage as a result of COVID-19. Businesses have also accelerated their e-commerce and online presence, which benefits Google's ad business.
- **MasterCard Inc.**, a technology company, provides transaction processing and other payment-related products and services in the United States and internationally. It facilitates the processing of payment transactions, including authorization, clearing and settlement, as well as delivers related products and services. Concerns over high-contact items, such as cash, during the COVID-19 crisis has increased the adoption of cards for in-person transaction. The switch to online purchasing has also benefited the company as online transactions have increased transaction volume.

### Detractors from Performance

- **Berkshire Hathaway Inc.**, through its subsidiaries, engages in insurance, freight rail transportation and utility businesses. It provides property, casualty, life, accident, and health insurance and reinsurance, and also operates railroad systems in North America. The company's exposure to banks and insurance weighed on its share price as those areas are expected to come under continued pressure as a result of COVID-19 and low interest rates.

- **Live Nation Entertainment Inc.** operates as a live entertainment company through concerts, ticketing, and sponsorship and advertising segments. The cancellation of live events as a result of COVID-19 has hampered the business in the near term. In the long term, we are confident in the company as we believe live events will eventually return, and as the dominant player in this market, Live Nation is well positioned to rebound.

#### Portfolio Activity

- We added a position in **McDonald's Corp.**, which operates and franchises McDonald's restaurants in the United States and internationally. Its restaurants offer various food products and beverages, as well as a breakfast menu. The broad equity sell-off in March created an opportunity to enter a position in McDonald's at an attractive valuation. This is a leading fast food chain with an excellent franchisee model that has performed well under COVID-19 and stands to benefit as the world re-opens.
- **Cognizant Technology Solutions Corp.** is a professional services company that provides consulting and technology, and outsourcing services internationally. The company operates through four segments: financial services, health care, products and resources, and communications, media and technology. It offers analytics and artificial intelligence, digital engineering, Internet of Things, interactive, and cloud-based services and solutions, as well as application development, systems integration, application testing and maintenance, infrastructure and business process services. Cognizant is having difficulty executing on its turnaround strategy, which caused us to re-evaluate our investment and we exited the position.

#### Market Outlook

- We expect the global economy to gradually recover from the near-standstill conditions experienced at the end of March and throughout April. This incremental improvement is positive, but likely to fluctuate given the number of variables at play, including the labour market, fiscal and monetary stimulus, and COVID-19 case counts. As such, volatility is likely to remain elevated.
- We continue to favour companies that should be able to endure any economic environment, as well as businesses with some short-term challenges but that are trading at prices well below intrinsic value.
- We believe that the U.S. banking system is well capitalized under a number of recessionary scenarios. Private equity businesses, such as KKR Financial Holdings LLC, a core holding within

the Fund, are well positioned to capitalized on opportunities that emerge as a result of this crisis. As such, we hold an overweight position in the financials sector.

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

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# CI PRIVATE POOLS™

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