CI North American Dividend Fund
Second-quarter 2020 Commentary

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Class F returns (in %) as at June 30, 2020	Year-to-date	1 year	3 year	5 year	10 year	Since inception (2008-08-21)
CI North American Dividend Fund*	-7.3	4.0	5.4	5.4	9.3	8.3

*Formerly Sentry Growth and Income Fund

Source: Harbour Advisors, as at June 30, 2020.

Market Overview

After months of enduring the dramatic events brought on by the COVID-19 pandemic, an oft-used term is “unprecedented.” In fact, what seems to be unprecedented is the number of times we can justify using this word. Following the market collapse of the first quarter of 2020, we experienced a significant rebound of Canadian and U.S. stock markets during the second quarter. In April, the Dow Jones Industrial Average and the S&P 500 Index posted the strongest one-month returns since 1987. This helped produce the best quarterly returns since the fourth quarter of 1998.

Enormous stimulus programs from governments around the world were sufficient to sustain, and sequentially improve, consumer spending, while central banks participating in the bond market facilitated the raising of capital to ensure we avoid mass bankruptcy. As the second quarter progressed, this orchestrated support along with the gradual unwinding of the global lockdown, which improved employment numbers, and progress toward the development of a vaccine created the sense that economic hardship might be short-lived, and in turn drove the impressive market rebound.

The stimulus programs have proven to be effective at supporting economic activity – and perhaps too much so. There are rumblings that people are turning down jobs because they are making more money on government assistance than by re-joining the workforce. What we do know is that, ultimately, we will need to return to healthy economic activity to sustain consumer spending and corporate investment. The economy is being artificially supported and it is challenging to gauge the difficulty in transitioning back to normalcy. Indeed, this is unprecedented. As a result, we have become more cautious. In late March we were buyers and tilted the portfolio to a pro-growth stance. With the rapid recovery in stock prices and the continuing economic uncertainty, we have since pulled back from investing in companies that require broad-based strong economic activity to deliver growth.

While it is an election year in the United States -- which in the past generally has meant the incumbent will do whatever is necessary to support the economy -- the number of infections in various southern states indicates a full reopening of the economy is ill-advised and potentially deeply destructive. Moreover, the social unrest that has been triggered by the killing of George Floyd at the hands of Minneapolis police has heightened uncertainty in a market in which we need to be extremely selective and disciplined in our portfolio construction. This requires us to focus on companies that can grow in this environment and to seek an extra margin of safety for those companies that are more economically sensitive.

Performance Summary

- Over the quarter ended June 30, 2020, Class F of CI North American Dividend Fund (the "Fund") returned 13.8%, compared with 16.7% for its blended benchmark (85% S&P/TSX Composite Total Return Index and 15% S&P 500 Total Return Index.)

- The quarterly return of the S&P/TSX Composite Index was primarily driven by the materials sector, particularly gold stocks, and was further supported by shares of Canadian technology company Shopify Inc., which more than doubled in price. The S&P 500 Index benefitted from strong positive moves in mega-cap names, including Apple Inc., Microsoft Corp. and Amazon.com Inc.

Contributors to Performance

- Spending on home improvement has been strong, as people have been forced to stay home. Retailer Lowe's Cos. Inc. made the largest contribution to the Fund's performance.

- With bonds being supported by central banks, there was a record issuance of new bonds, which in turn benefited the rating agencies, including S&P Global, Inc., which made the second strongest contributor to our relative value. Amazon.com and Apple also were major contributors.

Detractors from Performance

- The Fund's relative performance was hurt by having no exposure to gold. We focus on owning great operating companies, and few gold miners pass our quality requirements. We also do not currently own Shopify. It is a name we monitor closely, but its lack of positive cash flow combined with its extreme valuation has kept us away.

- On an absolute basis, our position in CME Group Inc. hurt performance as the derivative-exchange-operator benefits from volatility and the calm that returned to the market caused a decline in the stock. We continue to own CME, as it has great operating characteristics as well providing a strong offset to downward market moves.

- We were also hurt by our holding in Ross Stores Inc. The off-price retailer was impacted by social distancing and the related reduction in store traffic. However, we expect branded-apparel companies to have ample excess inventory, which would be a tremendous benefit to a company like Ross and thus we continue to hold the stock.

Portfolio Activity

- The Fund was fairly active again this quarter. We remain disciplined in adhering to our buy-and-sell structure, and the dramatic market moves prompted this significant activity.

- We sold a number of cyclical names, including semiconductor companies Analog Devices Inc. and KLA Corp., as well as industrials, including Rockwell Automation Inc. and Ametek Inc., both of which had been purchased in March. The magnitude of their stocks' price gains triggered a sell. Walt Disney Co. was sold and, despite a rebound in its share price, we remained skeptical of the prospects for theme parks and thus exited the position.

- Several new investments were added, including a defensive position in Procter & Gamble Co. We also added Ross Stores, Starbucks Corp. and Automatic Data Processing Inc., as we believe the discount to fair value is sufficient to offset the near-term economic concern.

Outlook

If we think back to before COVID-19 gripped the world, we believed we were in a slow-growth economy and that stocks were for the most part fairly valued. The portfolio had thus become somewhat defensive. As we worked through the COVID-related collapse and recent recovery, we transitioned from defensive to aggressive -- and back to cautious. As noted earlier, the economy currently is being artificially supported. While this is a necessary stopgap, the market seems to be expecting a rapid transition back to a healthy, full-employment economy – but we are this will take longer than what is currently priced-in. As a result, we expect the broader market to be volatile as negative headlines on infection rates and regional shutdowns are balanced by news of progress on a vaccine and sequential improvement in the economy from the April lows.

Our concern is the economy might plateau sooner and for longer than current expectations. Thus, we are staying disciplined on price while working to differentiate those companies that can benefit in today's environment from those that will struggle until a full recovery is evident. Investment returns are always based on what you pay and understanding what is currently priced in, and this is critical for future returns.

Source: Bloomberg Finance L.P. and Harbour Advisors.

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