Portfolio Series Commentary

Third Quarter – as of September 30, 2020

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Market performance

The COVID-19 pandemic has delivered a serious blow to global economies and unemployment rates, but it has not stopped investors from loving equity. From an investor's point of view, the index does not represent the economy. This notion can be seen in the U.S. where, for example, the S&P 500 Index is dominated by technology companies benefiting from the growing online shopping trend. In simple terms, while the pie has shrunk, the distribution of the pie has also changed to favour companies that carry a large weight in the S&P 500. In addition, companies like restaurants, bars and hair salons that have been hit the hardest are generally privately-owned small businesses, which are out of scope for the indexes. The Canadian market is essentially the opposite, with more old economy (financials and energy) and less new economy (technology), and has significantly underperformed other markets as a result.

Until a vaccine and remedy are widely available, one could expect continuous doses of both monetary and fiscal stimulus. What is surprising is that many Canadian households have earned less income from their employers, but have brought home more dollars due to government stimulus. This, in addition to deferred payments such as mortgages, means that many Canadians actually have more money to spend than before the pandemic.

Benchmark returns at September 30, 2020	3 months	1 year	3 years	5 years	10 years
S&P/TSX Composite Index	4.7%	0.0%	4.3%	7.2%	5.8%
S&P 500 Index (C$)	6.8%	15.8%	14.7%	14.1%	16.7%
MSCI World Index (C$)	6.0%	11.6%	10.7%	11.0%	12.9%
FTSE Canada Universe Bond Index	0.4%	7.1%	6.1%	4.3%	4.4%

Source: Bloomberg Finance L.P., FTSE

Portfolio performance

Markets have been extremely kind to investors. The S&P 500 Index saw outstanding performance over the last year, regardless of whether you consider the fact that we were in a pandemic for more than half of that period. We are pleased with the positive returns when we review the following table, however we acknowledge that we have not fully participated in the growth cycle of the technology sector. Our ongoing concern around the valuations of tech companies seems to be largely ignored by investors as; 1) growth is scarce, and 2) money is worth less due to central banks' increase in money supply. This has caused a rush to buy "growth at any price," which is a headwind for us as we strive to limit exposure to uncertainties in our portfolios.

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Contributors and Detractors	Contributors	Detractors
Income-Oriented Portfolios	Corporate bonds	Long-dated government bonds
	CI Munro Alternative Global Growth Fund	Value factor
Balanced Portfolios	Gold and gold companies	Low-risk factor
	CI Munro Alternative Global Growth Fund	Value factor
	Signature Emerging Markets Fund	
Growth-Oriented Portfolios	Gold and gold companies	Low-risk factor
	CI Munro Alternative Global Growth Fund	Value factor
	Signature Emerging Markets Fund	

Source: CI Multi-Asset Management

Returns at September 30, 2020 (Class F)	3 months	1 year	3 years	5 years	10 years
Portfolio Series Income Fund	2.5%	3.5%	4.0%	4.1%	5.6%
Portfolio Series Conservative Fund	3.3%	5.1%	5.0%	4.8%	6.1%
Portfolio Series Conservative Balanced Fund	3.7%	4.8%	4.7%	5.1%	6.6%
Portfolio Series Balanced Fund	4.2%	4.5%	4.5%	5.4%	6.9%
Portfolio Series Balanced Growth Fund	5.1%	4.9%	4.3%	5.7%	7.2%
Portfolio Series Growth Fund	5.8%	5.3%	4.6%	6.2%	7.7%
Portfolio Series Maximum Growth Fund	6.4%	5.4%	4.6%	6.7%	8.4%

Source: CI Investments Inc.

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Outlook and positioning

For the foreseeable future, market volatility is in the hands of policymakers. Generally, they prefer low volatility versus high (bubble versus collapse), creating a positive backdrop for risky assets. The fine line is owning enough risk to ensure we participate in the upside while at the same time not getting caught in the decline. We are overweight stocks with a balance between growth and value opportunities after a recent asset mix update across our portfolios to add growth. In the income portion, we are underweight government bonds but favour long-duration bonds. We have reduced our hedge to the U.S. dollar, believing the Bank of Canada will prefer a weaker loonie to boost exports.

In the short term, we are monitoring the U.S. election. We expect some anxiety and uncertainty as the election is held during a pandemic and it may take longer for votes to count. In the end, we believe it is not so much the "who" that will matter to investors, but whether the winning party has a majority. Regardless of who the next president is, spending will be passed (with or without hiccups) but this will be of little concern to investors looking out over the long term. We hope we will see some semblance of returning to normal soon, but continue to prepare and monitor our portfolios for any challenges that arise.

Source: CI Multi-Asset Management, Bloomberg Finance L.P. and CI Investments Inc. as at October 8, 2020

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Portfolio Positioning

Asset Class	QoQ Change	Portfolio Positioning	Income	Conservative	Conservative Balanced	Balanced	Balanced Growth	Growth	Maximum Growth
Investment-grade bonds	▼	Neutral Weight	17.1%	14.6%	12.2%	9.8%	7.3%	4.9%	0.0%
		30-Sep-20	28.3%	19.0%	15.4%	11.6%	9.6%	4.2%	0.0%
Government bonds	▲	Neutral Weight	49.6%	42.5%	35.5%	28.4%	21.3%	14.2%	0.0%
		30-Sep-20	24.4%	25.3%	20.7%	15.5%	10.6%	5.5%	0.0%
U.S. equity	▲	Neutral Weight	10.5%	14.0%	17.5%	21.0%	24.5%	28.0%	35.0%
		30-Sep-20	14.4%	14.9%	16.7%	21.1%	25.2%	29.5%	33.5%
Canadian equity	▲	Neutral Weight	9.0%	12.0%	15.0%	18.0%	21.0%	24.0%	30.0%
		30-Sep-20	10.4%	15.3%	19.4%	21.1%	24.5%	29.2%	32.1%
International equity	▲	Neutral Weight	10.5%	14.0%	17.5%	21.0%	24.5%	28.0%	35.0%
		30-Sep-20	7.5%	13.0%	16.9%	20.9%	23.7%	26.3%	29.1%
High-yield bonds	▼	Neutral Weight	3.3%	2.8%	2.4%	1.9%	1.4%	0.9%	0.0%
		30-Sep-20	6.2%	4.4%	3.6%	2.8%	0.6%	0.0%	0.0%
Cash	▼	Neutral Weight	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
		30-Sep-20	5.8%	5.1%	4.7%	4.5%	3.3%	3.7%	3.8%
Commodities	▲	Neutral Weight	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
		30-Sep-20	3.1%	3.1%	2.6%	2.5%	2.6%	1.5%	1.6%

Neutral weight referes to the targeted strategic asset allocation for the portfolio.
Source: CI Multi-Asset Management as at September 30, 2020

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Modern Portfolio Construction Tools

	Income	Conservative	Conservative Balanced	Balanced	Balanced Growth	Growth	Maximum Growth
Liquid Alternatives							
Long/Short Equity	5.0%	4.1%	3.5%	5.6%	0.0%	0.0%	0.0%
Total	**5.0%**	**4.1%**	**3.5%**	**5.6%**	**0.0%**	**0.0%**	**0.0%**
Real Assets							
Real Estate	1.1%	2.0%	2.2%	2.7%	3.3%	3.9%	4.6%
Infrastructure	3.1%	3.2%	4.4%	4.6%	4.8%	5.3%	5.6%
Total	**4.3%**	**5.1%**	**6.6%**	**7.3%**	**8.1%**	**9.2%**	**10.1%**
ETFs							
Active	3.0%	2.9%	2.0%	2.0%	0.0%	0.0%	0.0%
Smart Beta	0.5%	8.1%	11.1%	12.8%	14.7%	15.6%	16.7%
Passive	9.2%	9.2%	8.2%	7.7%	6.2%	5.1%	3.0%
Total	**12.7%**	**20.2%**	**21.3%**	**22.5%**	**20.9%**	**20.7%**	**19.8%**

Source: CI Multi-Asset Management as at September 30, 2020

Portfolio Series™

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