Market Commentary
Fourth Quarter 2018

ALTRINSIC

CI Global Health Sciences Corporate Class

Stock markets around the world were weak, volatile, and racked with uncertainty. The sources of this uncertainty have increased manyfold; here are some of them: the age of the bull market, Brexit, illiquidity of Italian banks, end of the U.S. tax-cut tailwind, China trade war, slowing global economies, U.S. interest rate policy, U.S. central bank independence, and, of course, U.S. presidential tweets. Most of these factors do not impact health care directly, but the uncertainty did mean that investors reduced their exposure to higher-beta names like biotechnology stocks. Smaller market capitalization names were also hit hard due to their lower liquidity. The flip side is that as this list does not include fundamental factors, most of the portfolio holdings will recover if they can execute on the promise of their business models.

The fund underperformed its benchmark* during the fourth quarter of 2018. Accounting for most of the underperformance during the quarter were several names that suffered business model issues. The culprits were AAC Holdings, Alexion Pharmaceuticals, Astellas Pharma, and Voyager Therapeutics. AAC manages a number of addiction centres in the U.S. About 50% of its patients come through the call centre and are then referred to a facility. Most get the call centre phone number from a web search. In an attempt to grab search share from a competitor, Google tweaked its search algorithm to ensure the competitor does not show up as often (illustrating the power that companies like Google have). Unfortunately, the tweaks also moved the AAC websites down the search listing, resulting in a substantial drop in call volume and a reduction in patients. While unfortunate, it's manageable. AAC must revamp its websites in order to move up the search listing. While nothing fundamentally changed at Alexion and Astellas, investors became increasingly concerned with competition for both companies. We believe these issues have always been there, but they took on a life of their own amid a volatile environment. Both remain large weightings. Voyager is working on a gene therapy approach to Parkinson's disease. After talking to the FDA, the company was all set to start a phase II clinical trial with the understanding that if the results were robust enough, there was a chance that Voyager could get approval on phase II data (they would still have to do a phase III later). During the quarter the FDA clarified its stance, indicating that approval on phase II was unlikely no matter how good the data is. We had always assumed a phase III would be necessary for approval, so we do not believe the development is off track.

On the positive side, both SeaSpine and Ionis Pharmaceuticals, two large holdings, outperformed. SeaSpine is a maker of plates, screws, and biologics to help repair or stabilize spinal problems. A spinout from Integra LifeSciences a few years ago, SeaSpine has spent the intervening years revamping its product portfolio and distribution network. These changes have resulted in faster top line growth that looks set to continue. Ionis Pharmaceuticals held an investor day where

management highlighted the depth of its pipeline. With several near-term catalysts, the stock performed well.

Looking forward, we will see a Democratic House in the U.S. in January. Near term, this will have little effect on the health-care legislative environment, as Congress will be split and the Democrats will spend their time protecting the status quo (Affordable Care Act). As we near the presidential election in 2020, the Democrats may feel the best way to beat President Trump will be a populist left agenda that may include "universal health care." Since there is no agreement as to how to define "universal health care," the devil will be in the details. Near term, we expect to see Intercept's phase III non-alcoholic steatohepatitis (NASH) results and detailed clinical trial data on the Roche/Ionis Huntington's disease drug.

The volatility in the market continues to offer interesting new ideas at a time when science is redefining drug development. The fund remains concentrated and exposed to the U.S. dollar. The average market capitalization of the fund's holdings also remains low relative to the index.

Class F Returns (in %) as at December 31, 2018	**Year-to-date**	**1 year**	**3 year**	**5 year**	**10 year**
CI Global Health Sciences Corporate Class	2.3	2.3	-3.5	4.7	14.2

* The benchmark is a combination of the NASDAQ Biotechnology Total Return Index (50%) and the S&P 500 Pharmaceuticals Total Return Index (50%).

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