

Market Commentary

Fourth Quarter 2018



CI Global Health Sciences Corporate Class

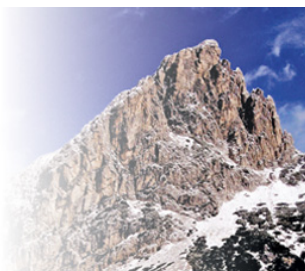
Stock markets around the world were weak, volatile, and racked with uncertainty. The sources of this uncertainty have increased manifold; here are some of them: the age of the bull market, Brexit, illiquidity of Italian banks, end of the U.S. tax-cut tailwind, China trade war, slowing global economies, 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

Market Commentary

Fourth Quarter 2018



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%).

IMPORTANT INFORMATION

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in security value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

The statements contained herein are based on material believed to be reliable. Where such statements are based in whole or in part on information provided by third parties, they are not guaranteed to be accurate or complete. CI Investments Inc. and its affiliates and related entities are not liable for any errors or omissions in the information or for any loss or damage suffered.

The contents of this piece are not to be used or construed as investment advice or as an endorsement or recommendation of any entity or security discussed.

Certain statements in this document are forward-looking. Forward-looking statements (“FLS”) are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as “may,” “will,” “should,” “could,” “expect,” “anticipate,” “intend,” “plan,” “believe,” or “estimate,” or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and

Market Commentary

Fourth Quarter 2018



actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Investments Inc. and the portfolio manager believe to be reasonable assumptions, neither CI Investments Inc. nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

®CI Investments and the CI Investments design are registered trademarks of CI Investments Inc.

Published January 2019.