Market Commentary

Fourth Quarter 2018

ALTRINSIC

CI Global Value Fund

Performance among major asset classes in 2018 was a reversal from 2017. Almost every major asset class delivered solid gains in 2017, propelled by central bank stimulus in the form of low interest rates and quantitative easing. This continued into early 2018 before giving way to terrible results across asset classes, with much of the weakness realized in the fourth quarter. CI Global Value Fund declined 6.2% for the quarter, outperforming the 8.7% decline of the MSCI World (Net) Index, as measured in Canadian dollars. Positive attribution was driven by holdings in the financials, materials, and consumer staples sectors, while energy, industrials, and consumer services weighed on relative performance.

Financials: Our financials outperformed global financials in the fourth quarter. Among the fund's holdings, Willis Towers Watson, ICICI Bank, and Garanti Bank were among the fund's top performers. After disappointing results in July, Willis Towers Watson produced solid earnings in November, leading to an ongoing stock re-rating throughout the quarter. ICICI Bank continues to work down its portfolio of bad corporate loans and to reorient its focus on the underserved consumer banking market, while Turkey's political situation has stabilized modestly, leading to continued strength in the Turkish lira and helping Garanti's share price in foreign exchange terms.

Materials: Gold mining company Kinross Gold benefited from the upward move in gold prices, which was driven by a rotation into lower-risk assets. In addition, Linde closed its merger with Praxair, creating a new entity named Linde PLC.

Consumer staples: Nestlé delivered a confident set of Q3 results with topline growth of 3% and ~50 basis point margin improvement, which is in line with our models and thesis. This stability, along with a rock-solid balance sheet, provided strong support during the market turbulence.

Energy: The weakness in oil prices weighed performance during the quarter. Oilfield service providers Schlumberger and Baker Hughes were weak on concerns that lower oil prices will translate to lower near-term demand for services. We think the medium-term opportunity of a recovery in global services demand after three years of underinvestment remains intact despite what we consider a transitory weakness in oil prices. For Apache, an exploration and production company, oil price weakness and ongoing quality concerns related to its emerging Alpine High asset weighed on its shares. We continue to have confidence in the low-cost structure of Apache's Permian resource and in management's ability to exploit it in a value-accretive manner.

Industrials: FedEx underperformed after a disappointing second-quarter earnings report. Despite posting excellent revenue growth in the U.S., FedEx lowered 2019 expectations due to concerns about slowing global growth and a longer-than-expected integration of the TNT acquisition.

2 Queen Street East, Twentieth Floor, Toronto, Ontario M5C 3G7 I www.ci.com

CI Investments

Head Office / Toronto	Calgary	Montreal	Vancouver	Client Services
416-364-1145	403-205-4396	514-875-0090	604-681-3346	English: 1-800-563-5181
1-800-268-9374	1-800-776-9027	1-800-268-1602	1-800-665-6994	French: 1-800-668-3528

Although cyclical in nature, FedEx should benefit from long-term structural growth trends in parcel volumes. In addition, General Electric (GE) underperformed after reporting continued headwinds in its weaker businesses, particularly in power, and a reduction in its dividend. GE has been slow to address its heavy fixed-cost base, while its leverage has continued to expand. In reviewing GE's controllable levers for improvement and the unchanged set of left-field risks to which GE Capital and GE Industrial remain exposed, we concluded the risk has skewed to the downside after the passage of time and lack of operational and financial improvement and sold the stock.

Communication services: During the quarter, Yahoo Japan underperformed on concerns about the level of spending it will put towards its mobile payments joint venture with Softbank. The market is giving the company no credit for its investments, which we think is depressing margins by 500–600 basis points. The stock is cheap versus global peers on depressed earnings, and we see multiple ways to win going forward.

Class F Returns (in %) as at December 31, 2018	Year-to-date	1 year	3 year	5 year	10 year
CI Global Value Fund	0.5	0.5	5.2	8.4	9.2

Published January 2019.