Market Commentary

Fourth Quarter 2018

ALTRINSIC

CI International 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 International Value Fund declined 4.9% during the quarter, outperforming the 7.8% decline of the MSCI EAFE (Net) Index during the quarter, as measured in Canadian dollars. Holdings in the financials, materials, and health care sectors were sources of positive attribution, while positions in communication services, energy, and utilities 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.

Health care: In December, GlaxoSmithKline announced that it intends to merge its consumer business with Pfizer's in a joint venture; Glaxo will hold 68% and Pfizer 32%. The plan is to take three years to merge the businesses and then spin out a stand-alone public company. Our view is that the synergies of this joint venture should be achievable, as Glaxo has done this kind of deal before. The remaining piece of Glaxo will focus on pharmaceuticals and vaccines. It is thought that by the time the joint venture is spun out, Glaxo will have a more exciting pipeline, making the remaining business more attractive.

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. In addition, Baidu's stock came under pressure due to concerns about slowing growth in its core business, which is being driven by economic uncertainty in China. We believe that much of this is reflected in the share price given that the core search business is trading at a significant discount to global peers. There is additional optionality around value creation in the

company's AI efforts, which we get for free, and we see downside support from the strong balance sheet and reasonable valuation of the company's core business.

Energy: The weakness in oil prices weighed on performance during the quarter. Oilfield service provider Schlumberger and oilfield equipment provider Tenaris were weak on concerns that lower oil prices will translate to lower near-term demand for both services and products. We think the medium-term opportunity of a recovery in demand for global oilfield services and oilfield product after three years of underinvestment remains intact despite what we consider a transitory weakness in oil prices. For Tenaris, there is added uncertainty given the indictment in Argentina of its long-time CEO; however, the company has no direct legal exposure and a deep management bench that mitigates the uncertainty surrounding the CEO's future.

Utilities: Uniper underperformed after reporting results that were towards the lower range of its guidance due to one-off effects in its power generation businesses and a volatile midstream natural gas business. Uniper is continuing to target greater stability in its power business, with two incremental projects expected over the next two years, and to expand its midstream services businesses to leverage its position as one of Europe's largest power generation companies.

Class F Returns (in %) as at December 31, 2018	Year-to-date	1 year	3 year	5 year	10 year
CI International Value Fund	-1.0	-1.0	5.4	7.3	7.8

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