

Market Commentary

Fourth Quarter 2018



CI Can-Am Small Cap Corporate Class

In the quarter ended December 31, 2018, the fund generated a total return of -13.7%. During the reporting period, the U.S. dollar strengthened 5.7% against the Canadian dollar, detracting from returns.

Falling commodity prices and severe discounts for Canadian energy products have heavily impacted investor sentiment in Canada. In difficult markets, smaller cap stocks tend to underperform. This year was no exception, with one of the worst years for small cap stocks since the financial crisis.

Weak performance during the quarter was broad based, but particularly acute in the oil and gas sector with oil and Alberta-based natural gas production falling precipitously. The fund's energy investments outperformed the benchmark sector, and the strategy's focus on cash-generating businesses within cyclical areas and less valuation risk than the market contributed positively to relative returns. The fund's lack of direct gold exposure detracted from relative returns. The gold sub-sector advanced in the period due to the metal's perceived safe-haven status during challenging markets.

The strategy's top-contributing investments were Empire, ATCO, and Alleghany. The largest detractors were AltaGas, Canadian Western Bank, and ARC Resources.

At quarter end, Canadian holdings represented 77.0% of the portfolio and American holdings represented 15.3%. Cash comprised 7.7% of the portfolio. The fund consists of 33 investments, of which 26 are Canadian domiciled and seven are U.S.- based.

During the quarter, we initiated an investment in IGM Financial, the largest independent asset manager in Canada, at a multi-year low valuation. Lower valuations across the space have been driven by fears that growth in exchange-traded funds will begin to result in sustained net outflows of assets for active managers, and concerns over fee compression in the asset management industry. IGM has a conservative balance sheet and generates strong cash flow that it largely pays out in the form of dividends. IGM is additive to the fund's valuation and balance sheet metrics.

The fund exited its positions in Maxar Technologies and Ampco-Pittsburgh. Although Maxar has a strong legacy as a leader in the Canadian technology space, the company has failed to address heightened debt levels since it made a major acquisition last year. A failure to address balance sheet leverage risks the company's long-term competitive positioning. Despite the value in the Ampco-Pittsburgh business, the position was exited because of uncertainty in the short and medium

Market Commentary

Fourth Quarter 2018



outlook due to trade concerns. We became increasingly concerned by what we perceived to be aggressive use of the balance sheet, further putting equity investors at risk.

The strategy has weathered numerous market and economic cycles by owning a diversified portfolio of businesses that exhibit above-average profitability and below-average valuations relative to the benchmark. This discipline persists.

Valuations of growth-oriented and expensive high-quality businesses have pulled back with the recent market weakness and less-than-perfect company execution. We remain focused on businesses that can execute their strategies in challenging periods, with the ability to improve their franchises without relying on exogenous factors. Portfolio cash provides ample dry powder to deploy capital as opportunities develop.

The strategy provides higher income generation, a lower estimated payout ratio, and stronger balance sheet metrics than the average small to mid cap company, which should all contribute to downside support in a more challenging market environment.

Class F Returns (in %) as at December 31, 2018	Year-to-date	1 year	3 year	5 year	10 year
CI Can-Am Small Cap Corporate Class	-14.6	-14.6	2.0	1.1	9.2

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 compound total returns net of fees (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all 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 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

Market Commentary

Fourth Quarter 2018



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.