

# Market Commentary

## Third Quarter 2018



### CI Global Value Fund

During the third quarter of 2018, the fund returned 3.2% (Class F). Positive attribution was driven by holdings in the health care, consumer discretionary, and financials sectors, while industrials, consumer staples, and materials weighed on relative performance.

**Health Care:** For Intercept Pharmaceuticals, sales of Ocaliva have stabilized for the approved treatment of primary biliary cholangitis. The company is also edging towards the phase III clinical trial results in Ocaliva to treat non-alcoholic steatohepatitis, which is a significantly larger market. Also, Astellas Pharma has expanded the addressable market of its key prostate drug, Xtandi. Even without this expansion, Xtandi was growing again in existing markets after resolving previous access issues.

**Consumer Discretionary:** Advance Auto Parts' Q2 2018 sales were sharply above expectations, with same-store sales up 2.8%. The company's story is playing out in line with our thesis: industry demand is recovering, aided by seasonal weather, and company execution is improving, as evidenced by improving asset productivity.

**Financials:** Aon reported another strong set of earnings results in July. Investors are growing increasingly optimistic that the company will meet its free cash flow targets.

**Industrials:** Shares of General Electric declined after announcing a technical issue with a gas turbine blade for one of its customers. The company is working to fix the issue, which comes at a time when there is already significant pressure on its power business from weak industry demand trends.

**Consumer Staples:** Molson Coors remains pressured by weak volume growth in the U.S. The company is actively managing the cost structure and expects to exceed its current plan for \$135 million in cost savings this year. Molson Coors is also exploring new avenues of growth with a cannabis product that will be available after it is legalized in Canada. Heineken reported first-half results that were mixed. Organic revenue growth was strong, up 5.6% at the top end of the staples universe. However, the stock came under pressure as management reduced full-year margin guidance given the substantial foreign exchange headwinds and an acceleration in Brazil, which is accretive to overall profit growth, even if it is dilutive to margins.

**Materials:** Gold miner Kinross Gold was negatively affected by the weakness in gold prices and concerns about resource nationalism in Mauritania, which accounts for 9% of production. Kinross has a strong balance sheet and experienced management that should enable it to navigate the risks in Mauritania successfully.

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<b>Class F Returns (in %) as at September 30, 2018</b>	<b>Year-to-date</b>	<b>1 year</b>	<b>3 year</b>	<b>5 year</b>	<b>10 year</b>
CI Global Value Fund	7.1	10.1	9.8	11.7	9.4

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