

Market Commentary

Third Quarter 2018



CI International Value Fund

During the third quarter of 2018, the fund returned 1.5% (Class F). Holdings in financials, health care, and information technology were sources of positive attribution, while positions in the materials, industrials, and telecommunication services sectors weighed on performance.

Financials: Shares of Scor increased after Covea, a French insurer, made an initial offer to buy the company, but Scor's board turned it down. It appears that Covea remains interested and may increase its offer price.

Health Care: 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. After several quarters of inconsistent growth and margin expansion, Medtronic reported a quarter that beat on both metrics. We believe Medtronic is in very appealing markets with a pipeline of new products that address unmet medical needs.

Information Technology: Shares of Check Point Software Technologies rebounded during the quarter. The company showed improvement in its growth, as it begins to work through sales force transition issues. Check Point is exposed to the secular growth of cybersecurity spending, is positioned to gain a greater share of wallet from its customers, and generates sustainably high free cash flow that is returned to shareholders via buybacks.

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.

Industrials: After a strong first half of the year, shares of Babcock International underperformed after lowering revenue guidance in a trading update. We were disappointed to see a reduction in guidance, but Babcock's order book and bid pipeline have increased, indicating that growth rates should improve going forward.

Telecommunication Services: The European telecom sector, including Vodafone, has underperformed due to continued pro-consumer regulation and pricing pressure from new market entrants. While Vodafone is facing increased competition in both Spain and Italy, we believe the current valuation is reflective of these risks and does not account for the accretive acquisition of Liberty Global's German cable assets.

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Class F Returns (in %) as at September 30, 2018	Year-to-date	1 year	3 year	5 year	10 year
CI International Value Fund	4.0	6.4	10.0	10.0	8.1

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