

Market Commentary

First Quarter 2018



CI Global Small Companies Fund

Markets were off to a strong start in January following earnings upgrades based on strong economic activity and recently enacted U.S. tax cuts, but ended the quarter lower due to worries of a trade war, quantitative tightening, regulatory risks and valuation concerns.

The best-performing sectors were information technology and consumer discretionary, while defensive sectors such as telecommunication services and consumer staples posted the largest losses. The energy and materials sectors also declined more than the broader market. Most major currencies, including the euro, yen and sterling, appreciated against the U.S. dollar in light of trade concerns and worsening U.S. fiscal imbalances. The commodity-oriented currencies of Australia and Canada, however, declined.

European stocks declined more than their U.S. counterparts. The European Union upgraded its outlook for growth in 2018 to 2.3%, just shy of the 2.4% achieved in 2017, which was the highest growth rate in a decade. Exports were strong, PMI (Purchasing Managers' Index) surveys remained solidly in expansionary territory, unemployment declined to its lowest level since the Global Financial Crisis, and inflation remained subdued. The Bank of England signaled it is on course to raise interest rates this year and next, and the British economy is expected to underperform as uncertainty over Brexit dampens business investment. Pacific markets also declined, although Japan and Singapore posted small gains in U.S.-dollar terms. Sector performance differed from global trends, as Japanese stocks were influenced to a larger degree by the threat of tariffs.

Performance

The portfolio posted positive returns in the quarter. Positive relative results from stock selection in the utilities, real estate and energy sectors was more than offset by selection in the consumer staples, financials and information technology sectors, among others.

In the technology space, PTC and CyberArk Software were among the top performers. PTC's shares continued to perform well on increasing revenue, profits, and cash flow. CyberArk Software reported strong results for the quarter and increased its forward guidance. The company is gaining share in a fast-growing segment of security and remains a potential takeout candidate.

The main detractor from performance was Universal Display Corporation. After serving as a top performer last year, shares of Universal Display declined despite strong results due to fears about slowing adoption of OLED (organic light-emitting diode) phones driven by lower-than-anticipated sales of the iPhone X.

Market Commentary

First Quarter 2018



EPOCH 
Investment Partners

Shares of B&G Foods were weak this quarter as packaged food companies face continued pressure from grocery store traffic as well as increased freight and commodity costs.

Coherent's shares declined despite strong results, also due to fears about the slowing adoption of OLED phones.

Investments in Kaufman & Broad, Koh Young Technology, LGI Homes, Maxwell Holdings, Clinigen Group, Inphi Corporation, Dorman Products, Stamps.com, Core Laboratories and Altran Technologies were made during the quarter.

- LGI Homes is a home builder operating primarily in the southern U.S., with the state of Texas accounting for about half of the company's sales. The company is extremely well positioned from a macroeconomic and demographic perspective, given its focus on entry-level homebuilding in markets with strong population growth. We believe that new home affordability remains attractive by historical standards and that the company should continue to post strong revenue and profit growth that is not adequately reflected in the current share price.
- Inphi provides analog semiconductor solutions for the communications and computing markets. The company's solutions offer higher speed interfaces between analog signals and digital information in systems such as telecommunication transport systems, enterprise networking equipment, data center and enterprise servers, and storage platforms. As this market transitions to higher speeds (100G Ethernet, 200G Ethernet), Inphi has an opportunity to capture share. These higher speeds require more complex components to improve price/performance, which plays to Inphi's strengths.
- Dorman Products is a leading supplier of replacement parts and fasteners for passenger cars, light trucks, and heavy duty trucks in the automotive aftermarket. It has more than 51,000 unique auto replacement parts, many of which it designs and engineers internally. Dorman generates virtually all of its sales from customers in the North American automotive aftermarket.

The portfolio sold out of investments in Euronext, Woodward, Domino's Pizza Group, TreeHouse Foods, Fresh Del Monte Produce, BankUnited, Morinaga & Co., Cairn Homes, Vieworks, and Axiare Patrimonio SOCIMI during the quarter. We opted to sell the portfolio's position in Fresh Del Monte in order to reinvest the proceeds into other companies that have a more attractive risk/reward profile going forward. We exited our position in BankUnited, a Florida-based bank holding company, after our assessment that the fundamental outlook has deteriorated. We sold our position

Market Commentary

First Quarter 2018



EPOCH 
Investment Partners

in TreeHouse Foods as the original investment thesis was pushed out by execution missteps and industry pressures.

Outlook

Growth in the U.S. is especially robust: the labor market is tight, solid domestic demand has helped the production side of the economy pick up, and the recent corporate tax cuts will add an additional boost in the short-term. Europe is experiencing its best growth in a decade and even Japan is growing above trend. Increasing rhetoric and action around U.S. trade policy is a risk to the positive growth backdrop, but it remains to be seen if it will be enough to derail the global economy.

Valuation multiples are unlikely to expand much further now that central banks in North America and Europe are moving from quantitative easing to quantitative tightening. Equity returns will instead rely on cash flow growth and dividends. We also expect more frequent bouts of volatility will accompany incrementally higher interest rates and waning liquidity. Volatility could be exacerbated by the shift from active to passive managers and the increased use of systematic strategies that sell on auto pilot.

We believe our investment approach is well suited to this environment, where investment returns are more closely linked to company fundamentals. As always, we seek companies that can generate a growing stream of free cash flow and can allocate that cash effectively for the benefit of shareholders.

Class F Returns (in %) as at March 31, 2018	Year-to- date	1 year	3 year	5 year	10 year
CI Global Small Companies Fund	0.4	8.1	7.3	13.9	9.2

Market Commentary

First Quarter 2018



EPOCH 
Investment Partners

This commentary is published by CI Investments Inc. It is provided as a general source of information and should not be considered personal investment advice or an offer or solicitation to buy or sell securities. Every effort has been made to ensure that the material contained in this commentary is accurate at the time of publication. However, CI Investments Inc. cannot guarantee its accuracy or completeness and accepts no responsibility for any loss arising from any use of or reliance on the information contained herein. This report may contain forward-looking statements about the fund, its future performance, strategies or prospects, and possible future fund action. These statements reflect the portfolio managers' current beliefs and are based on information currently available to them. Forward-looking statements are not guarantees of future performance. We caution you not to place undue reliance on these statements as a number of factors could cause actual events or results to differ materially from those expressed in any forward-looking statement, including economic, political and market changes and other developments. 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 compounded total returns including changes in security value and reinvestment of all dividends or 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. ©CI Investments and the CI Investments design and logo are registered trademarks of CI Investments Inc. Published April 2018.