

Market Commentary

First Quarter 2018



CI Can-Am Small Cap Corporate Class

In the quarter ended March 31, 2018, the fund generated a total return of -4.4% (before fees). During the reporting period, the U.S. dollar strengthened 2.6% against the Canadian dollar.

Weak natural gas and base metals prices weighed on small-cap equities during the quarter, with most of the benchmark decline stemming from the energy and materials sectors. The strengthening U.S. dollar contributed to relative underperformance in the period. The fund's health care and industrials holdings lagged the benchmark sectors, further contributing to underperformance. This was partially offset by strength in the fund's consumer discretionary holdings. The strongest individual contributors to fund performance over the quarter were Macy's, Parkland Fuel and Alleghany. The largest negative contributors were Canadian Western Bank, AltaGas and Maxar Technologies.

At quarter end, Canadian holdings represented 68.5% of the portfolio and American holdings represented 27.0%. Cash comprised 4.5% of the portfolio. The fund consists of 36 investments, of which 25 are Canadian domiciled and 11 are U.S.-based. No new positions were initiated during the quarter. The fund exited its position in Varian Medical Systems due to its above-average valuation risk.

Canada's equity returns continue to lag other global markets, and value stocks are still underperforming their growth counterparts. Trade disputes, slowing home sales and stranded Canadian oil have weighed on the perception of Canadian corporate competitiveness and growth. Despite these headwinds, we believe our portfolio holdings will adapt over time to potential changes in cross-border trade policies and economic cycles.

We believe the strategy continues to have less balance sheet and valuation risk than the benchmark, while providing healthy profitability. Almost 90% of the companies pay a dividend, providing a yield of 3.2%. We expect continued dividend growth over time as the businesses grow.

Over the past year, lower-quality companies that generate minimal revenues and earnings have outperformed. In this environment, we remain focused on businesses that are able to operate profitably throughout the cycle. We remain patient, managing risk by controlling the price we pay for quality assets. We will take advantage of opportunities that arise due to heightened volatility or broader market weakness.

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Class F Returns (in %) as at March 31 2018	Year-to-date	1 year	3 year	5 year	10 year
CI Can-Am Small Cap Corporate Class	-4.9	-3.6	3.0	7.3	8.1

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