Market Commentary
Second Quarter 2018

CI Can-Am Small Cap Corporate Class

In the quarter ended June 30, 2018, the fund generated a total return of 5.9%. During the reporting period, the U.S. dollar strengthened 1.8% against the Canadian dollar.

Within the fund, consumer discretionary and utilities provided the largest contributions. The energy sector advanced over 19% during the period. Despite providing sound returns, the strategy's energy holdings underperformed, as energy service stocks have not benefited as much as producers. Many of these producers are low quality. Declines in the fund's financials holdings and underweight exposure to real estate also detracted. The strongest individual contributors to fund performance over the quarter were Macy's, Williams-Sonoma, and AltaGas. The largest negative contributors were New York Community Bancorp, Alleghany, and PrairieSky Royalty.

At quarter-end, Canadian holdings represented 69.1% of the portfolio and American holdings represented 24.3%. Cash comprised 6.6% of the portfolio. The fund consists of 34 investments, of which 23 are Canadian-domiciled and 11 are U.S.-based.

No new positions were initiated during the quarter.

The fund exited its position in Domtar, a producer of paper products. To offset declines in its legacy paper business, Domtar has been pursuing other fibre-based offerings in personal care. Despite these initiatives, organic growth has been slow. As higher global pulp prices benefited the shares over the quarter, the position was sold in favour of better risk/reward opportunities.

The fund also exited Ritchie Bros. Auctioneers, as the shares traded well above long-term average valuations. The sale improves the valuation and balance sheet characteristics of the portfolio.

Stocks exhibiting growth and momentum are outperforming meaningfully, often to the detriment of value investments. Corporate activity such as mergers and acquisitions continues to be a growth driver for many companies. This is classic late-cycle activity.

In an environment where lower-quality companies generating minimal revenues and earnings continue to outperform, we remain focused on businesses that are able to operate profitably throughout the cycle. The strategy continues to have less balance sheet and valuation risk than the average Canadian small/mid cap company. This is important as companies with heightened leverage in a maturing cycle will often pose outsized risks when the economic environment changes.

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We believe continued growth in dividends supported by earnings growth will help to offset potential negative implications from inflationary pressures and higher interest rates.

Class F Returns (in %) as at June 30, 2018	Year-to-date	1 year	3 year	5 year	10 year
CI Can-Am Small Cap Corporate Class	0.7	4.3	5.8	7.7	8.7