

CI Global Equity Momentum Private Pool Third-quarter 2020 Commentary

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Class F returns (in %) as at September 30, 2020	Year-to-date	1 year	3 year	5 year	10 year	Since inception (2018-10-29)
CI Global Equity Momentum Private Pool	14.4	20.6	-	-	-	13.4

Source: Picton Mahoney Asset Management, as at September 30, 2020.

Market Overview

- Six months ago, after the pandemic hit and countries around the world went into lockdown, equity markets responded rapidly by pricing in a sharp and short recession. The S&P 500 Index bottomed at 2,200. Despite the horror of one million deaths at the hands of the virus, the collapse of the global gross domestic product, and a 50-million increase in unemployment in the United States, we witnessed one of the market's all-time great rallies driven by apocalyptic positioning and unprecedented policy response – both fiscal and monetary. A weeding out of the strong versus weak companies that has taken place over the past 10 years went into overdrive.

Performance Summary

- Over the third quarter ended September 30, 2020, Class F of CI Global Equity Momentum Private Pool (the Fund) returned 10.4%, compared with 6.0% for its benchmark, the MSCI World Total Return Index (C\$).
- The Fund outperformed due to our underweight exposure to the energy and financials sectors. Our top-performing individual holdings were Advanced Micro Devices, Inc. and DraftKings Inc.
- Our overweight position in health care and underweighting in materials detracted from relative performance. The largest individual detractors were Apple Inc. and Tesla Inc.

Contributors to Performance

- We were early to recognize the DraftKings Inc. story, partaking just prior to its conversion from a special purpose acquisition company (SPAC). We were attracted by the large market opportunity in the United States for sports betting, which is becoming legal in various states. We believe this trend should continue as more states face deficits amid the fiscal devastation of the pandemic and look to sports betting to shore up government coffers. We felt the timing to invest was ideal. given the unique sports calendar that was developing over the summer months with the return to play for major league sports and playing to a captive (and bored) work-from-home audience.

Detractors from Performance

- Boohoo Group PLC is a U.K.-based online fashion retailer. Its ability to produce low price, in-style fashion products was the key to six-fold revenue growth over the past five years. In July, there were articles in the media suggesting that some Boohoo suppliers were effectively underpaying and overworking their employees. The stock fell by one-half on concerns that this practice was more widespread. Management initiated an independent review and have vowed to implement any flaws in its supply chain. The market has accepted this development and the stock has since fully recovered.
- ASM International NV is a Dutch-based semiconductor-equipment producer. It is a leading player in two of the strongest growth segments, atomic layer deposition and epitaxy. It had been the best performing European technology stock prior to the third quarter. The subsequent underperformance was due to some profit-taking, as ASM did not materially increase its guidance, as well as to investors' general concerns about the sustainability of foundry spending in 2021, which had been a key source of this year's upside. Recent guidance from ASM project-development-partner Taiwan Semiconductor Manufacturing Ltd. suggests that foundry spending will continue to be strong in the foreseeable future.

Portfolio Activity

- During the quarter, we increased our exposure to information technology, a sector that has demonstrated strong resilience during the pandemic. In fact, many IT companies have

seen an acceleration in their business models and the increase in demand has warranted a re-rating for the industry. One of the stocks that we have added over the past quarter is Fujitsu Ltd., which is at the forefront of digitization in Japan. Management has restructured the company, reducing exposure to the low-growth legacy businesses and focusing on allocating more capital to this opportunity.

Outlook

- As we move through the fourth quarter and beyond, there is much to contemplate. We are focused on the massive stimulus applied globally to resuscitate economies battered by COVID-19 and whether this has achieved the desired effect. Broader measures of global growth show a sharp recovery, yet leading indicators remain below pre-pandemic levels. Asset markets appear priced for a better future, yet one crucial ingredient is still needed: a clear plan to open the U.S. economy with compliance to necessary protocols to keep COVID contained. The world has been eagerly anticipating the U.S. election, the outcome of which will have direct implications for investment themes and policy regimes -- and thus portfolio positioning. We believe we are on the cusp of a new cycle, but there likely will be fits and starts to endure before the markets get into gear and new themes like potential inflationary pressure take hold.

Source: Picton Mahoney Asset Management research based on raw data from Morningstar Research Inc., and Bloomberg Finance L.P.

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Published October 19, 2020.