

CI North American Small/Mid Cap Equity Private Pool Third-quarter 2020 Commentary

*David Picton, President and Portfolio Manager
Michael Kimmel, CFA, Portfolio Manager
Picton Mahoney Asset Management*

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 North American Small/Mid Cap Equity Private Pool	11.5	18.4	-	-	-	11.3

Source: Picton Mahoney Asset Management, Manulife Asset Management Ltd. and QV Investors Inc., as at September 30, 2020.

Picton Mahoney Asset Management

- Our stock selection in the healthcare and financials sectors added to relative performance.
- The Fund's top-performing individual holdings were Trisura Group Ltd. and Dye & Durham Ltd., while our underweight positions in Silvercorp Metals Inc. and Trillium Therapeutics Inc. were the biggest performance detractors.
- Trisura offers insurance services in Canada and the United States, specializing in risk solutions, surety, corporate insurance and other reinsurance services. The company's shares rose during the period, driven by solid results led by strong premium growth from their U.S. division. In our view, we believe there is upside to the valuation as investors recognize Trisura's growth potential and expanding profitability as it executes its strategy.
- Dye & Durham is a leading provider of cloud-based software and technology solutions designed to improve efficiency and increase productivity for legal and business professionals. The company's cloud-based platform automates the process of due-diligence searches, document creation and electronic-records filing for commercial and real-estate transactions. Dye & Durham made an initial public offering during the quarter in which we participated, given the company's strong growth potential and attractive valuation. The shares re-rated higher following the initial listing and we continue to see upside going forward.

- During the quarter, we also introduced positions in Canadian Western Bank, and sold Boralex Inc.
- Canadian Western Bank is a Schedule 1 chartered bank that provides commercial loans, real-estate financing, and offers consumer loans and deposits. It has spent the better part of the past five years modernizing its franchise. We are seeing early signs of these investments paying off through its improved deposit mix and more stable volume growth. The bank's return on equity is set to move higher and soon it will be able to return to its roots as a fast-growing, mid-market lender. This should command a share-price premium to its Canadian bank peers. Historically, in periods of accelerating earnings-per-share growth (ahead of the industry), Canadian Western has traded at a premium, with EPS as high as 13 to 14 times.
- The economy and equity markets rapidly rebounded from the March lows, fueled by extraordinary levels of monetary easing, a record level of fiscal transfers to households, and pent-up consumer demand. Looking ahead, with consumer income support fading and parts of the economy remaining at reduced operating capacity due to social distancing, the economic recovery is expected to lose steam. We anticipate heightened market volatility amid a moderating economic backdrop and the upside appeal of equities due to extremely low interest rates and accommodative central banks.

Source: Bloomberg Finance L.P., Picton Mahoney Asset Management, Manulife Asset Management Ltd. and QV Investors Inc.

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