

Q1-2019 Commentary

CI Canadian Equity Private Pool

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CONTRIBUTORS TO PERFORMANCE

- **Brookfield Asset Management Inc.** is a diversified asset manager with interests in property, power and infrastructure. Given the company's investments in real assets that enjoy competitive advantages, it has been able to generate stable cash flow and attractive operating margins, which, in turn, contributed positively to the performance of CI Canadian Equity Private Pool (the "Fund").
- **Gildan Activewear Inc.** is a manufacturer and marketer of premium-quality basic apparel. The company's growth in the fashion basics segment along with its private label (Gildan Activewear recently launched private label men's underwear at Walmart stores) has positioned the company for achievement of its mid-term sales target.

DETRACTORS FROM PERFORMANCE

- **Maxar Technologies Ltd.** is a global communications and information company providing operational solutions to commercial and government organizations. The company's business weakened as a result of continued deterioration in the geostationary satellite business and rising debt levels.
- **Westshore Terminals Investment Corp.** operates a coal storage and loading terminal in British Columbia. Recent pullback in U.S. thermal coal export prices has negatively impacted operating margins for the company. Some customers have reduced their planned shipments for 2019, which will be partially offset by new customer volumes, according to company management.

PORTFOLIO ACTIVITY

- We added a new Fund position in **WSP Global Inc.**, which offers engineering services in construction, energy, environmental, mining, municipal infrastructure, project management, telecommunications and transportation. The company's management expects organic growth in all segments for the fiscal year 2019, and has strong backlog acting as a boost for its margin expansion.
- **Alliance Data Systems Corp.** is a provider of data-driven targeted marketing and loyalty solutions, along with credit card programs. Challenges from hurricane impacts have resulted in delinquency rates increasing higher than expected. Revenue growth at its Epsilon division remains weak. As such, we exited the position.

MARKET OUTLOOK

- Alongside our optimistic view of North America, we believe the economic climate in Canada is favourable given that unemployment is at all-time lows, and this should provide sufficient opportunities to invest in attractively valued companies. Liquefied natural gas investments are an additional reason for optimism.
- Results during the first three quarters of 2019 are likely to be impacted by harsh winter weather conditions. However, we expect any slowdown in growth to dissipate in the second quarter. We will closely monitor the companies most sensitive to weather during the upcoming earnings season.
- In addition to our microeconomic views, we expect interest rate increases by the Bank of Canada to be on hold as governor Stephen Poloz attempts to balance inflation with gross domestic product growth. As such, we believe there will be an easing of renewal challenges, which is beneficial to the Canadian consumer, but retain our defensive positioning within the Fund.

Sources: Sentry Investment Management and Bloomberg L.P. Data is as at March 31, 2019.

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