

Q1-2019 Commentary

CI U.S. Equity Private Pool

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CONTRIBUTORS TO PERFORMANCE

- **Brookfield Asset Management Inc.** is an asset manager focused on infrastructure, real estate, private equity and renewable power. The company's leading position allowed it to benefit from institutional investors allocating an increasing amount of capital to alternative asset classes, which, in turn, contributed positively to the performance of CI U.S. Equity Private Pool (the "Fund"). We expect its management team to continue to capitalize on this trend.
- **Live Nation Entertainment Inc.** is a global provider of live entertainment, offering live music events, music venue operations, sponsorship and advertising sales, and ticketing services. The company continued to benefit from its leadership position in an industry backed by a trend toward increasing allocation of consumer dollars toward experiences.

DETRACTORS FROM PERFORMANCE

- Health services organization **Cigna Corp.** provides insurance and related products and services in the United States and internationally. Despite strong operational performance, the company's shares detracted from the Fund's performance as a result of negativity surrounding Democratic Party presidential candidates proposing a "Medicare for All" program.
- **International Game Technology PLC** operates and provides technology products and services across lotteries, electronic gaming machines, sports betting and interactive gaming markets worldwide. Its shares came under pressure because of weak fourth-quarter 2018 results and disappointing forecasts for 2019.

PORTFOLIO ACTIVITY

- **The Boeing Co.** produces aircraft for the commercial and military end markets, and it was added to the Fund after the company came under heavy scrutiny following technical issues with its 737-MAX plane that led to two crashes less than six months apart. We believe the market is over-discounting the long-term implications this scandal will have on the company's earnings power. This has created an attractive margin of safety from current prices compared to our assessment of the company's intrinsic value.
- **Wells Fargo & Co.**, a diversified financial services company operating primarily in the United States, was eliminated from the Fund. The company continued to operate under regulatory restrictions imposed by the U.S. Federal Reserve, which, among other things, restricts the company's ability to grow. We had expected this regulatory burden to be removed sooner, but the company has struggled to address numerous compliance issues.

MARKET OUTLOOK

- We continue to see strong but slowing growth in the United States, particularly compared to the rest of the world. Unemployment remains low, and consumer confidence and business confidence remain at elevated levels.
- Results for the first quarter of 2019 will likely be impacted by harsh winter weather conditions, but we believe this is a temporary slowdown in growth. Based on company commentaries, we expect growth to resume in the second quarter, and we will closely monitor positioning of companies that are most impacted by weather during the upcoming earnings season.
- Mortgage rates have declined significantly. This should benefit the housing market after being a challenge to growth in 2018. We believe the Fund's bank holdings will benefit from higher levels of loan growth and we continue to look for other opportunities to invest in this space.
- Political risk remains elevated with pre-U.S. presidential election campaigning in full swing. We continue to monitor potential outcomes and are adjusting the Fund's positioning as we see fit. Health care is an area in particular that may be impacted.

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

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