CI PRIVATE POOLS™

# CI International Equity Value Private Pool
# Third Quarter 2020

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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 International Value Private Pool | -8.6 | -3.8 | - | - | - | 2.1 |

Source: Altrinsic Global Advisors LLC as of September 30, 2020.

## Market Overview

- Equity markets delivered solid gains during the third quarter on significant upward revisions to corporate-earnings prospects, low interest rates, and a U.S. Federal Reserve policy announcement suggesting that rates will remain low for the foreseeable future. The level of COVID-19 cases remained elevated during the period and economies suffered in most regions of the world. However, recent economic data has been trending better than consensus expectations. As stock markets appeared to discount further improvement in economic conditions, a small group of highly valued, "new economy" stocks continued to lead, taking into account aggressive long-term growth that may be difficult to achieve.

## Performance Summary

- Over the third quarter ended September 30, 2020, Class F of CI International Equity Value Private Pool (the Fund) returned 1.0%, compared with 2.9% (in Canadian-dollar terms) for its benchmark, the MSCI EAFE (Net) Index.

- Strong performance by our holdings in the technology and materials sectors was offset primarily by poor performance among investments in health care, consumer staples, and telecommunications.

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**Contributors to Performance**

- During the quarter, Makita Corp. and Siemens AG were among individual holdings that made the largest contributions to relative performance.
- Makita is befitting from increased demand for power tools and outdoor equipment as homeowners improve their residences amid the COVID-19 lockdowns. The company is also gaining market share from competitors due to its superior cordless technology, which is the fastest-growing market segment.
- Siemens reported better-than-expected results with strong orders for its software business and healthy free-cash-flow generation, mostly driven by orders from China.

**Detractors from Performance**

- Our positions in Vodafone Group PLC and Astellas Pharma Inc. detracted from performance during the quarter.
- Shares of European telecom companies, including Vodafone, underperformed on anemic revenue growth and leveraged balance sheets. However, COVID-19 has highlighted the critical nature of Vodafone's network, which should translate to a better relationship with consumers and regulators.
- Astellas' recent acquisition missteps (gene therapy acquisition was put on clinical hold) and revised operating profit due to COVID-19 crowded out the fact that its new drugs are now more than making up for the loss of a patent in the overactive-bladder-treatment franchise.

**Portfolio Activity**

- The Fund initiated four new positions during the quarter. Among these was ASSA ABLOY AB, a Swedish-based leader in the fragmented global access-solutions market. It is triple the size of its closest competitor, providing scale and research-and-development advantages that are increasingly more valuable as access solutions become more sophisticated. ASSA has significant structural growth opportunities from the adoption of more complex electromechanical and automated mechanisms. Adoption of these solutions should accelerate as building and homeowners upgrade their entrance security to meet increased health and safety standards.

- We exited one position, Willis Towers WatsonPLC, as its share price had reached our estimate of intrinsic value.

**Outlook**

- Navigating an environment that is very different from the past, we believe equities will offer the most rewarding opportunities in the coming years. The orderly decline in interest rates has largely run its course, which has stretched many stocks' valuations. Disruptors are priced for perfection. We believe the greatest investment opportunities will come from companies and managements that embrace new technologies, which often transforms their businesses and improves shareholder value. Evaluating the quality of a business is one of the essential ingredients to successful investing; the price paid is another. The latter has lost relevance for many, particularly index-oriented products. This creates opportunity.

Source: Morningstar Research Inc.; FactSet; Altrinsic Global Advisors LLC.

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