Market Commentary
First-Quarter 2019

EPOCH Investment Partners

CI Global Small Companies Fund

Market Overview

- Equity markets rallied in the first quarter of 2019, rebounding from the previous quarter's sell-off. Most of the gains came in January and early February thanks to solid corporate earnings, receding fears about a possible U.S. recession and dovish comments by central banks as they began backing off plans to normalize monetary policies.

- All 11 sectors globally were positive, with many providing quarter-over-quarter double-digit increases. The best returns came from companies in the information technology, real estate and energy sectors, with the latter helped by rising crude oil prices following production cuts in December by members of the Organization of the Petroleum Exporting Countries (better known by its acronym, OPEC). The health care and financials sectors lagged.

- Strong equity returns came despite ongoing trade frictions and mounting evidence economic growth rates were slowing globally. During the quarter, the International Monetary Fund again cut its forecast for global economic growth, noting that growth has weakened.

- Bond yields declined during the quarter, with the 10-year U.S. Treasury yield slipping to 2.41% and the benchmark 10-year German Bund yield falling below zero for the first time since 2016.

Performance Summary

- Over the first quarter of 2019, Class F of CI Global Small Companies Fund (the "Fund") returned 9.1% while its benchmark, the MSCI World Index, returned 10.0% over the same period.

- The Fund showed strong returns in the quarter, but it underperformed its benchmark and the 11.2% return of the MSCI World Small Cap Index over the same period. The underperformance was driven largely by stock selection.

Contributors to Performance

- The largest individual contributors to Fund performance over the quarter were Universal Display Corp.; LGI Homes, Inc.; American Woodmark Corp.; Bruker Corp.; and Alten Ltd.

- In the information technology sector, Universal Display's shares rose after the company increased its guidance for 2019 sales growth. The company now expects sales to grow 37% in the current fiscal year. In addition, Apple Inc. signalled its intent to fully convert its iPhone product line to organic light emitting diode (OLED) technology by 2020. Going forward, while we believe quarterly results will be volatile due to variances in large customer orders, we expect Universal Display will be able to grow its cash flow over the long term at an above-average rate in conjunction with a surge in the adoption rate of OLED technology.

- Also within the information technology sector, R&D outsourcing company Alten contributed to the Fund's performance via its 29% return for the quarter following a supportive outlook statement for 2019 that highlighted expectations for high-single-digit revenue growth.

Detractors from Performance

- The largest individual detractors from the Fund's performance relative to the benchmark were Stamps.com Inc.; B&G Foods, Inc.; Universal Insurance Holdings, Inc.; Cambrex Corp.; and Scapa Group PLC.

- The health care sector was the biggest detractor from the Fund's performance, driven to a large extent by the weak performance of Cambrex shares during the quarter.

- The financials sector produced one of the quarter's top detractors – Universal Insurance Holdings – from Fund performance.

- In the consumer discretionary sector, the weakest performer during the quarter was Stamps.com. Shares of Stamps.com declined after the company announced its intent to end its exclusive partnership with the United States Postal Service ("UPS"). The company cited a new strategic initiative to seek contractual arrangements with Amazon.com, Inc.; FedEx Corp.; UPS and DHL International GmbH. While the shift in strategy will depress revenue growth in the short run, we believe the company's results should benefit over the long term from open arrangements with more competitive partners.

- The weakest performer in the consumer staples sector was B&G Foods. Shares of B&G Foods declined after the company reported fourth-quarter 2018 revenue and earnings that came in below consensus expectations. In addition, the company reduced its guidance for full-year 2019 earnings. The company's management is forecasting \$15 to \$20 million in cost savings, which should result in an improved operating margin. Longer term, we believe B&G Foods is a compelling brand revitalization story within the consumer staples space, and the company should be able to show improved operating

margins, complemented by strong free cash flow, that will drive further acquisition opportunities, deleveraging and an above-average dividend yield.

Portfolio Activity

- In the health care sector, we added, Molina Healthcare, Inc., a Medicaid health insurer. The company's largest states by membership are California, Washington and Florida. The company also participates in the government marketplace exchanges. Molina Healthcare is well-positioned for long-term growth in the Medicaid insurance market. According to the latest Centers for Medicare & Medicaid Services projections, Medicaid membership is expected to grow from 65 million individuals in 2013 to 82 million individuals in 2020 due to expanded eligibility under the U.S. *Affordable Care Act* and states increasingly turning over their plans to the private sector to control costs.

Change in Portfolio Management

- Michael Caputo left Epoch Investment Partners in January 2019 and is no longer a portfolio manager for the Fund. The Global Small Cap strategy will continue to be managed by John Morgan and Michael Welhoelter. Furthermore, Jane Spiegel joined Epoch Investment Partners in March 2019 as a research analyst on our Non-U.S. Small Cap and Global Small Cap teams. She will function as a generalist from a sector perspective, with geographical coverage of companies within Asia and Europe.

Outlook

- Slowing economic and earnings growth has become evident in most countries and regions. This, combined with a lack of inflationary pressure, has caused central banks to halt plans for normalizing monetary policy. The U.S. Federal Reserve, European Central Bank and others have gently tested the limits of less accommodative monetary policy and have abruptly adopted a more dovish tone since the beginning of the year.

- The U.S. economy appears the most robust among developed markets. While slowing, the U.S. economy remains stronger than economies in Europe or Japan, where growth is tepid. Even the Chinese economy has cooled further, although new stimulus measures are being rolled out in that country despite concerns about growing debt burdens. In parts of the world where we expect a period of slower economic growth, we are favouring companies that have structural growth opportunities rather than cyclical ones.

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Class F returns (in %) as at March 31, 2019	Year-to-date	1 year	3 year	5 year	10 year
CI Global Small Companies Fund	9.1	-5.7	5.7	5.7	11.7

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