

Market Commentary

First-Quarter 2019



CI Global Health Sciences Corporate Class

Market Overview

Looking back, the fourth quarter of 2018 saw widespread corrections in small to mid-sized biotechnology stocks, while global pharmaceutical companies were relative outperformers. The inverse happened in the first quarter of 2019. We saw a recovery in biotechnology stocks, while global pharmaceuticals underperformed on a relative basis. The recovery in stock prices was due in part to indications from the U.S. Federal Reserve during the quarter that it was putting further interest rate hikes on hold.

In the health care sector, U.S. political headlines dominated the water-cooler talk. In January, the Democrats took control of the U.S. House of Representatives and immediately proposed “Medicare for All” – effectively a government takeover of health care. Not to be outdone, the current U.S. administration proposed changes in drug reimbursement that would lower drug prices (but increase other costs) for consumers, which was a 2016 campaign promise. While the situation sounds dire for investors, we believe these extreme statements were mainly political posturing. By the time the Democrats contest the 2020 presidential election, we expect its “Medicare for All” program will have morphed into “Medicare for Some More,” building on the foundations of the U.S. *Affordable Care Act* (i.e., Obamacare).

Performance Summary

Over the first quarter of 2019, Class F of CI Global Health Sciences Corporate Class (the “Fund”) returned 10.6%, outperforming its benchmark (a 50/50 combination of the NASDAQ Biotechnology Index and S&P 500 Pharmaceuticals Index), which was up 8.5% over the same period.

Contributors to Performance

The top individual contributors to the Fund’s performance during the quarter were Fund holdings in Ionis Pharmaceuticals, Inc.; NanoString Technologies, Inc.; and Voyager Therapeutics, Inc.

Ionis Pharmaceuticals, the top Fund position by weight in the portfolio, reported solid financial and clinical results during the quarter. The company’s partner in developing drug treatment of Huntington’s disease, Roche Holding AG, suggested the data it was seeing from clinical trails of drug could mean a faster-than-expected approval. Huntington’s disease is a rare but devastating neurological disorder. The

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disease is directly caused by a mutated protein, and therefore, the disease is a good target for the antisense technology developed by Ionis Pharmaceuticals, which works to prevent the production of proteins involved in diseases.

NanoString Technologies, a maker of gene and protein analysis equipment, reported solid results during the quarter as well as a strong earnings guidance for the remainder of 2019. The company's latest product allows a researcher to visualize up to 1,000 proteins within a cell, which is good for examining the cancer microenvironment to determine the appropriate treatment.

Voyager Therapeutics signed two deals during the quarter. The first was an extension of the company's collaboration with AbbVie Inc. The second was a deal to license its drug treatment of Parkinson's disease to Neurocrine Biosciences, Inc. Both deals are a validation of Voyager Therapeutics's technology as well as a source of up-front cash for the company.

Detractors from Performance

Fund holdings in SeaSpine Holdings Corp.; Sangamo Therapeutics, Inc.; and Capital Senior Living Corp. were detractors from the Fund's performance over the quarter.

SeaSpine Holdings, a maker of spinal surgery devices, provided guidance on 2019 earnings that relied on expected growth in the second half of the year. This proved a disappointment to the market. We believe SeaSpine Holdings has all the assets in place – good management, new products and exclusive distribution – to positively surprise the market in 2019.

Sangamo Therapeutics, a gene therapy company, appeared to be losing ground to competitors during the quarter as competitors disclosed clinical data.

Finally, Capital Senior Living, an owner operator of assisted living facilities, detracted from the Fund's performance as low interest rates and future demographic trends have led to a short-term oversupply of assisted living facilities in the U.S., which, in turn, has driven occupancy rates down across the sub-sector and reduced the ability of companies in that sub-sector to raise prices. We believe this oversupply environment will last another year before occupancy rates and pricing recover.

Outlook

We continue to see political posturing in the U.S. creating volatility in the health care sector in the coming quarters. Despite this, we are still finding interesting companies to invest in at reasonable valuations.

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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 Health Sciences Corporate Class	10.6	9.9	6.4	4.0	15.9

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