

# Market Commentary

## First-Quarter 2019



### CI Can-Am Small Cap Corporate Class

#### Market Overview

- North American equities rebounded dramatically in the first quarter of 2019 from the previous quarter. The recovery was widespread, with all benchmark sectors posting positive returns.

#### Performance Summary

- Over the first quarter of 2019, Class F of CI Can-Am Small Cap Corporate Class (the “Fund”) returned 7.2% compared with an 11.0% return for its benchmark (a 50/50 combination of S&P 1000 Index and the S&P/TSX Canadian Small Cap Index) over the same period. The Fund underperformed the benchmark primarily due to the weakness of some of the Fund’s holding in the industrials sector, as further discussed below. During the quarter, the U.S. dollar weakened 2.1% against the Canadian dollar. This benefited the Fund’s relative return versus the benchmark as the Fund has less exposure to the U.S. than the benchmark.

#### Contributors to and Detractors from Performance

- During the quarter, the Fund’s top-contributing investments were in AltaGas Ltd., ATCO Ltd. and Superior Plus Corp. The largest detractor from the Fund’s performance was SNC-Lavalin Group Inc. SNC-Lavalin Group has been facing heightened legal, political and operational challenges over the past few months. A new management team took swift action to overhaul the company’s corporate governance and compliance procedures after bribery charges were laid in 2012. SNC-Lavalin Group was widely expected to negotiate a settlement on these past charges, but so far this has not occurred. Adding to negative sentiment, management pre-announced 2018 earnings that were significantly below initial expectations due to cost overruns at a large mining project and a softening oil and gas business. While headline risks are likely to cause continued near-term volatility for the company, we believe SNC-Lavalin Group’s current share price understates the value of the company. We will continue to closely monitor key controllable operational milestones for the company.
- At quarter-end, Canadian holdings represented 82.6% of the Fund’s portfolio while U.S. holdings represented 14.3%. Cash comprised 3.1% of the portfolio. The Fund consists of 36 investments, of which 28 are domiciled in Canada and eight are U.S.-based.

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### Portfolio Activity

- During the quarter, we initiated Fund investments in MSC Industrial Direct Co., Inc. and Winpak Ltd.
- MSC Industrial Direct is an industrial distributor with a successful track record of growing and consolidating in a fragmented market. The company trades at a 35% discount to its 10-year median price-earnings ratio and has a dividend yield of 3%, near an all-time high for the company. Strong free cash flow generation and a capital-light business model give the company plenty of optionality to deploy capital for growth or share repurchases. We believe the company's current share price presents an attractive risk/reward opportunity for long-term ownership.
- Winpak is a leader in the packaging space. The company has enhanced the quality and balance-sheet characteristics of the Fund's portfolio, and Winpak is trading at a reasonable valuation relative to its history and less profitable peers.

### Outlook

- The swift rebound in equity markets and accommodative shift in the tone of central banks globally have eased negative sentiment and tight capital market conditions. Despite the improvement in the markets, global trade concerns and domestic economic challenges persist. We believe the Fund's portfolio composition makes it flexible enough to benefit from various economic scenarios going forward. Amidst heightened volatility, we will continue to identify select opportunities to deploy capital at attractive rates.

Class F returns (in %) as at March 31, 2019	Year-to- date	1 year	3 year	5 year	10 year
CI Can-Am Small Cap Corporate Class	7.2	-3.7	2.9	1.5	10.5

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