

## CI North American Small/Mid Cap Equity Private Pool Second Quarter 2019

### Fund Holdings

- CI North American Small/Mid Cap Equity Private Pool (the “Fund”) has exposure to Canadian small-capitalization equities through its holding in iShares S&P/TSX SmallCap Index ETF and exposure to U.S. small-cap equities through the Fund’s holding in iShares Russell 2000 ETF.

### Outlook

- During the second quarter of 2019, market participants shifted their expectations from a U.S. Federal Reserve (the “Fed”) on hold regarding interest rate hikes to possibly three rate cuts the remainder of the year.
- The Fed has not done much to combat these extremely dovish expectations, and thus risk assets continued to rally as U.S. Treasury yields collapsed and the U.S. dollar retreated.
- Over the next several months, our probability-weighted base case expects macroeconomic and earnings data to continue to disappoint, cyclical sectors will remain under pressure and drag equity markets lower, and market declines will be limited to the low double digits, all setting the stage for a rally into the 2020 U.S. presidential election.
- Since the 1980s, the Fed has not cut interest rates while corporate credit spreads remain relatively behaved, equity markets are close to highs and economic data is not deteriorating dramatically. A pre-emptive rate cut would be unprecedented. So too would the decision not to cut rates, as it would be in flagrant disregard for market expectations, which have been firmly priced-in of late.

Sources: Bloomberg L.P. and Picton Mahoney Asset Management, as at June 30, 2019.

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