

Market Commentary

Second Quarter 2019



CI Global Health Sciences Corporate Class

Market Overview

- In the second quarter of 2019, the global health care sector continued its trend in the first quarter of underperforming the broader market. This was due in part to the more defensive nature of the sector and the political discussions in the U.S. around “universal health care” and “Medicare for all.”

Performance Summary

- In the second quarter of 2019, Class F of CI Global Health Sciences Corporate Class (the “Fund”) returned -5.7%, underperforming its blended benchmark (50% the NASDAQ Biotechnology Total Return Index and 50% the S&P 500 Pharmaceuticals Total Return Index), which returned -3.2% over the same period. Year-to-date, the Fund (4.2%) is roughly in line with the benchmark (5.0%).
- The main reason for the Fund’s underperformance was poor stock selection and the concentrated nature of the Fund.

Contributors to Performance

- CompuGroup Medical SE, a Germany-based provider of health-care IT, was the Fund’s top individual performer during the quarter. Germany is in the midst of digitizing its health-care infrastructure, and the government is relying on CompuGroup to roll it out. This is a multi-year opportunity that allows the company to install a backbone into most clinics, hospitals and physician offices in Germany. CompuGroup can then sell added services/software to each client.
- Voyager Therapeutics, Inc., a gene therapy company with a lead-candidate drug to treat Parkinson’s disease, was the Fund’s second-best performer during the period. Not only is Voyager Therapeutics getting closer to the Parkinson’s disease clinical trial results, but the company has signed two lucrative partnership deals this year with Neurocrine Biosciences, Inc. and AbbVie Inc.

Detractors from Performance

- Intercept Pharmaceuticals, Inc., a drug company focused on non-viral liver disease, was the biggest detractor from the Fund’s performance. While Intercept Pharmaceuticals is the only company to have positive phase III trial results in the very large non-alcoholic steatohepatitis (NASH) market, investors

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are not sure how this competitive market will play out. Despite the positive trial, Intercept Pharmaceuticals may have set the bar too low, thereby allowing competitors room in the market. We believe investors are underestimating the challenge of running and obtaining a positive phase III trial in NASH that meets the regulators' requirements. The proof will be in commercial sales of NASH, which should begin in the second half of 2020 after approval.

- Aerie Pharmaceuticals, Inc. was the other big detractor from Fund performance. The company has just launched a new glaucoma drug, and the market is debating the trajectory of that launch. Our longer-term perspective looks through the launch and sees an effective glaucoma drug that could dominate the market.

Portfolio Activity

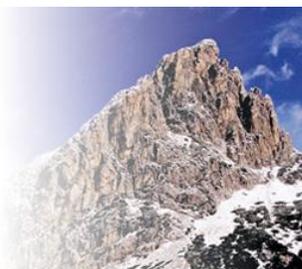
- We eliminated three medical device companies from the Fund's portfolio, NanoString Technologies, Inc. (biotech company); Nevro Corp. (medical devices); and NuVasive, Inc. (medical devices), as they reached our estimation of their intrinsic value.
- Medtronic plc's, the world's largest medical devices company, was added to the Fund's portfolio after the company's stock sold off on growth concerns. We also added Fresenius Medical Care AG & Co. KGaA, a global supplier of dialysis products and services, as we believe investors are not recognizing the growth opportunities in home dialysis, Medicare Advantage expansion and integrated care.

Outlook

- As is the case in many commentaries on health care, the U.S. political environment will help determine performance. The Democrats are in the process of choosing their presidential nominee. During this process, candidates propose ideas to address access and cost of health care. With 20 candidates vying for the Democratic Party nomination, the proposals can be fairly radical. We believe the most likely outcome will be a nominee intent on expanding either the *Affordable Care Act* (aka Obamacare) or Medicare.
- In the second half of 2019, we look forward to many clinical and regulatory milestones. We would highlight the filing by Intercept Pharmaceuticals for approval in NASH and Sangamo Therapeutics, Inc.'s gene therapy data in hemophilia and other rare diseases.
- The Fund continues to be concentrated in both number of companies in and exposure to the U.S. It also remains unhedged regarding currency exchange.

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Class F returns (in %) as at June 30, 2019	Year-to-date	1 year	3 year	5 year	10 year	Since inception (08/08/2000)
CI Global Health Sciences Corporate Class	4.2	-5.0	3.6	3.2	13.4	7.4

Sources: Bloomberg L.P.; Morningstar Direct; and Altrinsic Global Advisors, LLC, as at June 30, 2019.

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