ivari Portfolio Commentary

First Quarter – 2023

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Market performance

Investors began the year with an extremely optimistic belief that an economic soft landing would be achieved in the U.S. with cooling inflation and that the Fed was very close to finished hiking rates. The S&P 500 Index rose to 4180 (from 3840 at Dec 31, 2022). This optimistic expectation was later challenged by continued strength in the labour market that is expected to drive higher input costs and inflation. Markets quickly weakened and fell substantially as bank run news hit the wire. It was obvious the Silicon Valley Bank and Signature Bank would not survive on their own and a few others were also at risk. The Federal Reserve and U.S. Treasury came to the rescue quickly by assuring deposits are safe and announcing a new program, the Bank Term Funding Program (BTFP), to allow banks to borrow from the Fed using their holdings of government bonds as collateral. This effectively raised the Fed balance sheet, which counters the quantitative tightening effort.

Elsewhere in the world, Credit Suisse was under stress as the bank had been losing deposits for months. It was forced to be sold to UBS at a tiny fraction of the bank's value at the beginning of the year. It is widely expected that credit conditions will tighten in the coming months and the Federal Reserve balance sheet will remain elevated. Investors yet again expect interest rates to have peaked and assume cuts will come as soon as later this year, but this time due to a higher probability of recession. This prompted the recession-resilient tech sector to perform strongly since March, and also pushed the S&P 500 Index higher.

Oil spent most of the quarter range bounding and hit a low of $67 (WTI Crude). OPEC+ announced a surprise cut and the decline was reversed as investors realized we could still have supply-demand imbalance during a recession driven by supply. Given the Canadian equity index has more exposure to banks and energy, the S&P/TSX Composite Index performance trailed the U.S. and their global peers.

China failed to impress investors as the government did not announce new policies/measures following the announcement of re-opening in November. It reported a weak Manufacturing PMI reading in March, highlighting weakness in both domestic and foreign demand.

Benchmark returns in % at March 31, 2023	1 year	3 years	5 years	10 years	10-year standard deviation[1]
S&P/TSX Composite Index	-5.1%	18.1%	8.8%	7.9%	12.28%
S&P 500 Index (C$)	-0.25%	17.01%	12.25%	15.48%	12.42%
MSCI World Index (C$)	-2.9%	15.1%	9.6%	12.6%	11.76%
FTSE Canada Universe Bond Index	-2.0%	-1.7%	0.9%	1.9%	4.95%

[1]Standard deviation: A measure of risk in terms of the volatility of returns. It represents the historical level of volatility in returns over set periods. A lower standard deviation means the returns have historically been less volatile and vice-versa. Historical volatility may not be indicative of future volatility. Standard Deviation calculated on Series Institutional Class.
Source: Bloomberg Finance L.P., FTSE

Portfolio performance

Our investment committee determined it was appropriate to position portfolios defensively by underweighting equity (and simultaneously overweighting cash) in the fourth quarter of 2022. We repositioned our portfolios to neutral equity in the beginning of 2023, meaning our balanced fund is approximately 60% invested in equity and 40% in fixed income.

In terms of region, we find Canada, Japan, and emerging markets, in particular China, more favorable given our outlook. Meanwhile, we maintain maximum underweight on U.S. equities due to valuations and risk of weaker earnings. We also favored value and quality styles. Asset allocation, especially in the value factor and energy sector, detracted from results for the period. This factor was partially offset by the growth factor exposure and positive manager selection. Key contributors in the first quarter of 2023 included CI Canadian Equity Corporate Class, CI U.S. Stock Selection Corporate Class, CI Synergy Canadian Corporate Class, and CI Morningstar Canada Momentum Index ETF.

Segregated fund net total returns in % at March 31, 2023	1 year	3 years	5 years	10 years	MER[1]	Since Inception Standard Deviation[2]
ivari CI Conservative GIP – imaxxGIF	-4.70%	2.34%	0.82%	2.46%	3.42%	**6.2%**
ivari CI Canadian Balanced GIP - imaxxGIF	-4.89%	4.04%	1.43%	2.51%	3.72%	**6.8%**
ivari CI Balanced GIP - imaxxGIF	-4.33%	5.46%	1.98%	3.75%	3.46%	**7.7%**
ivari CI Growth GIP - imaxxGIF	-4.04%	8.08%	2.88%	4.83%	3.46%	**9.2%**
ivari CI Maximum Growth GIP - imaxxGIF	-4.00%	11.31%	3.68%	5.61%	3.76%	**11.0%**

Inception date: September 1, 2012; [1]MER: Management expense ratio.

[2]Standard deviation: A measure of risk in terms of the volatility of returns. It represents the historical level of volatility in returns over set periods. A lower standard deviation means the returns have historically been less volatile and vice-versa. Historical volatility may not be indicative of future volatility. Standard Deviation calculated on Series Institutional Class. Source: Bloomberg Finance L.P., FTSE

Source: CI GAM | Multi-Asset Management, Bloomberg Finance L.P. and FTSE as at March 31, 2023.

MER: annual audited financial statements as of December 31, 2022 (imaxx GIF 75/100 Class).

Any amount that is allocated to a segregated fund is invested at the risk of the contract holder and may increase or decrease in value. Past results should not be construed as indicative of future performance. Actual fund performance is expected to vary.

ivari CI Portfolios are available as Guaranteed Investment Portfolios within select ivari segregated funds contracts and as Managed Portfolio Index Interest Options within select ivari Universal Life Products. Segregated Fund Net Returns are for the imaxx Guaranteed Investment Funds product (imaxxGIF-75/100). Returns are after the management expense ratio (MER) has been deducted. The MER includes the management fee, the insurance cost for segregated fund guarantees, operating expenses and the applicable taxes of the fund. Policyholders do not pay for these expenses directly. The MER reduces the return of the investment. The Manager, at its discretion, may waive or absorb a portion of the operating expenses otherwise payable by a Fund class. These waivers may be terminated at any time by the Manager. MER and MER before waiver can be found in the ivari Segregated Fund Financial Statement under the section "Financial Highlights." For details, please refer to the Information Folder and contract, and to www.ivari.ca for the returns on other products.

Outlook and positioning

It is anyone's guess whether and when the economy and corporate earnings will slow in the coming months. While we believe this cycle has to end with a slowdown, we still find opportunities in specific countries (Japan, China, emerging markets) and sectors (energy, health care, semiconductors). Their prices in the medium term are supported by demand and valuations, even though the near term could unfortunately be up or down due to market news.

We are holding more cash as it has attractive yields and is not volatile. We anticipate bond prices to re-price lower in order for higher long-term average rates and equity valuations to fall to their normal end of cycle multiples. Hence, there will be opportunities ahead to add "core" holdings such as long-dated bonds and U.S. equity.

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