ivari Portfolio Commentary

Second Quarter – 2022

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Market performance

Inflation has been a concern whether you are an investor or a consumer. Following the beginning of "return-to-normal" in 2021, the world suddenly found itself not having enough people and products to satisfy demand. As consumers bid prices up, inflation measures jumped, coming from literally everything in the Consumer Price Index (CPI) basket.

Initially, central banks expected this rise to be only transitory. The situation got more complicated as "war-flation" was introduced this year amid Russia's invasion into Ukraine. Both Russia and Ukraine are major exporters of natural gas, oil, metals, wheat, etc. Prices of commodities rose significantly within a very short timeframe. Central banks had no choice but to fight inflation with very aggressive rate increase paths.

We had expected the central banks to hike just enough to avoid recession. That assumption may need to be changed as inflation has become a tougher battle to fight than anticipated. Changing expected terminal rates from 2.5-3% to 3-3.5% is not that significant, but the speed with which the change has been implemented may be too fast compared to historical data, and enough to destroy risk appetite in the near term.

Bond and equity prices both fell considerably. While nothing is certain, investors are bracing for the worst: high inflation, higher rates, and rising risk of recession. A scenario that isn't great for any investments.

Benchmark returns in % at June 30, 2022	1 year	3 years	5 years	10 years
S&P/TSX Composite Index	-3.8%	8.0%	7.6%	8.2%
S&P 500 Index (C$)	-10.8%	6.5%	7.5%	12.1%
MSCI World Index (C$)	-22.3%	0.3%	2.3%	5.9%
FTSE Canada Universe Bond Index	11.4%	-2.3%	0.2%	1.7%

Source: Bloomberg Finance L.P., FTSE

Portfolio performance

Our investment committee has changed our positioning to neutral in the second quarter as we expected central banks to hike interest rates and economies to be less robust. Asset allocation was the primary driver of results as we decreased the equity exposure within each of the portfolios towards their respective neutral weights. Concurrently, we held a modest underweight to bonds, and overweights to cash and gold bullion, which benefited performance. In addition, the exposure to value factor, underweighting US equities while overweighting the energy sector, added value. Key contributors included the CI Munro Alternative Global Growth Fund, CI Morningstar Canada Momentum Index ETF, and CI Enhanced Government Bond ETF. The CI American Small Companies Corporate Class, CI Income Fund, and Fiera SFI-Canadian Universe Bond Fund detracted relative value.[1]

Segregated fund net total returns in % at June 30, 2022	1 year	3 years	5 years	10 years	MER[2]	Since Inception Standard Deviation[3]
ivari CI Conservative GIP – imaxxGIF	-12.27%	-1.29%	0.07%	2.95%	3.42%	**5.8%**
ivari CI Canadian Balanced GIP - imaxxGIF	-12.79%	-0.05%	-0.97%	4.27%	3.72%	**6.4%**
ivari CI Balanced GIP - imaxxGIF	-11.82%	-0.64%	0.46%	2.93%	3.43%	**7.3%**
ivari CI Growth GIP - imaxxGIF	-13.19%	0.97%	1.70%	5.42%	3.44%	**8.8%**
ivari CI Maximum Growth GIP - imaxxGIF	-13.96%	1.99%	2.20%	6.15%	3.73%	**10.6%**

[1]The contributors and detractors from the portfolio performance are a generalized statement regarding the ivari funds. Please refer to the specific ivari fund holdings to see what has added or detracted value from the portfolio.
Inception date: September 1, 2012; [2]MER: Management expense ratio.
[3]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 June 30, 2022.
MER: annual audited financial statements as of December 31, 2021 (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

We do not believe out-of-control inflation, aggressive rate hikes and severe recession is the base case. Inflation will likely moderate to 4% in the fourth quarter or early 2023. The US Federal Reserve may not get to 3.5% Fed Funds rate this cycle and the tone will likely be less hawkish later this year as enough people are already scared by the Fed's messages and have started to save rather than spend. Corporate earnings, in nominal terms, are rising as they are also enhanced by productivity and inflation and may be more resilient to recession than investors thought.

The long-term outlook is constructive as valuations are compelling and the upside from a soft landing scenario can be dramatic. Near term outlook is anyone's guess. If indeed the world dips into a recession triggered by hawkish central bank policies, the downside risk we estimated is not dramatically different from current levels. In that scenario, we anticipate government bonds to rally, thereby providing some offset to the equity portion of a balanced portfolio.

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The comparisons presented are intended to illustrate the mutual fund's historical performance and volatility as compared with the historical performance and volatility of widely quoted market indices or a weighted blend of widely quoted market indices or another investment fund. There are various important differences that may exist between the mutual fund and the stated indices or investment fund, that may affect the performance and volatility of each. The objectives and strategies of the mutual fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indices or investment fund. Indices are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices.

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