ivari Portfolio Commentary

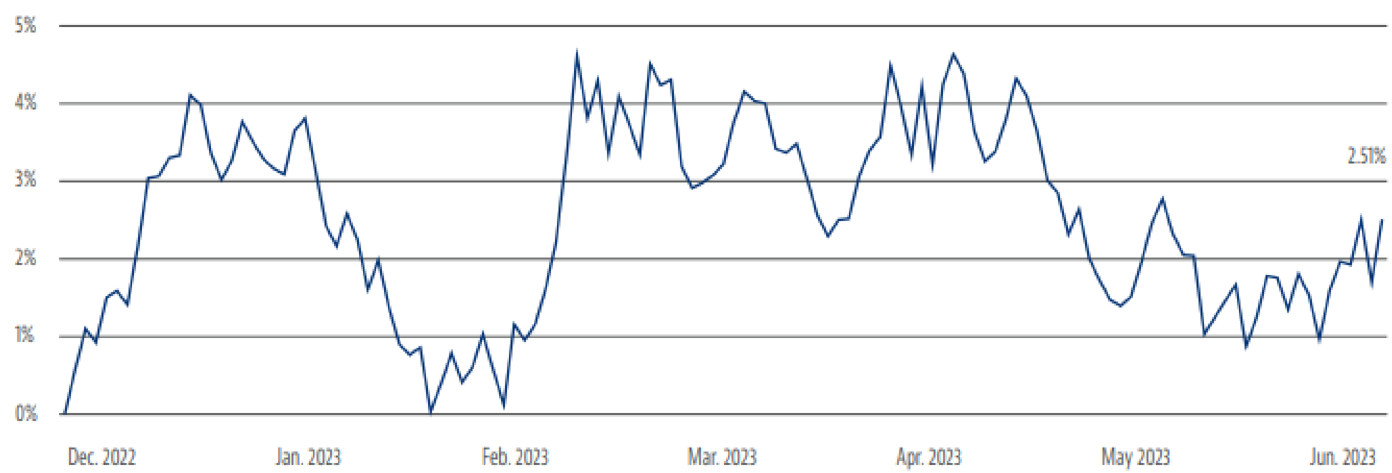
Second Quarter – 2023

Alfred Lam, CFA, Senior Vice-President and Chief Investment Officer
CI Global Asset Management

Market performance

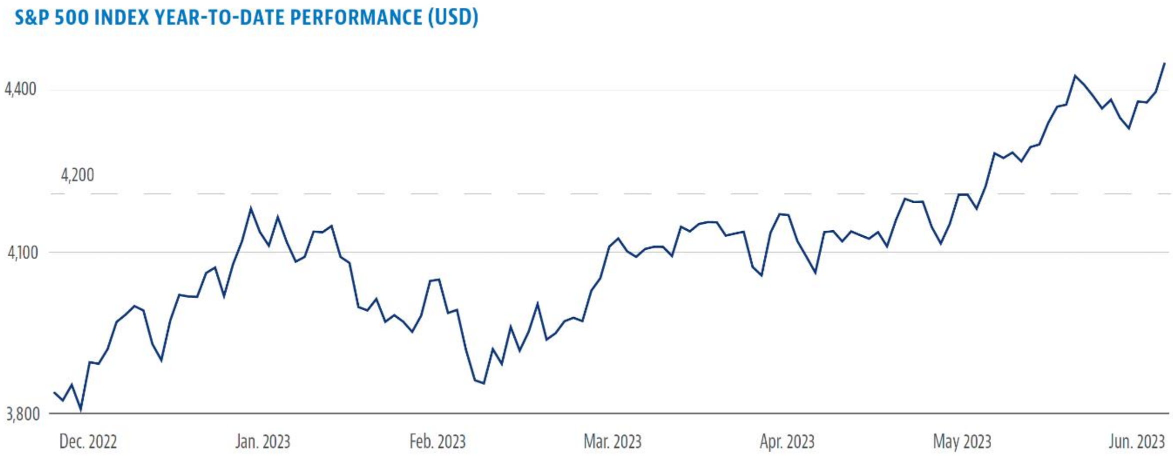
Market expectations changed dramatically throughout the first six months of 2023. We began the year believing the Federal Reserve was very close to finishing hiking rates and cuts could come as soon as later this year; the pause by the Bank of Canada was interpreted by the markets as the end of their hiking cycle. Those expectations were reversed when the Bank of Canada resumed hiking on June 7 and the Federal Reserve confirmed they are not done. Bond prices were volatility and finished the first half with performance driven mainly by coupon.

FTSE CANADA UNIVERSE BOND INDEX YEAR-TO-DATE PERFORMANCE



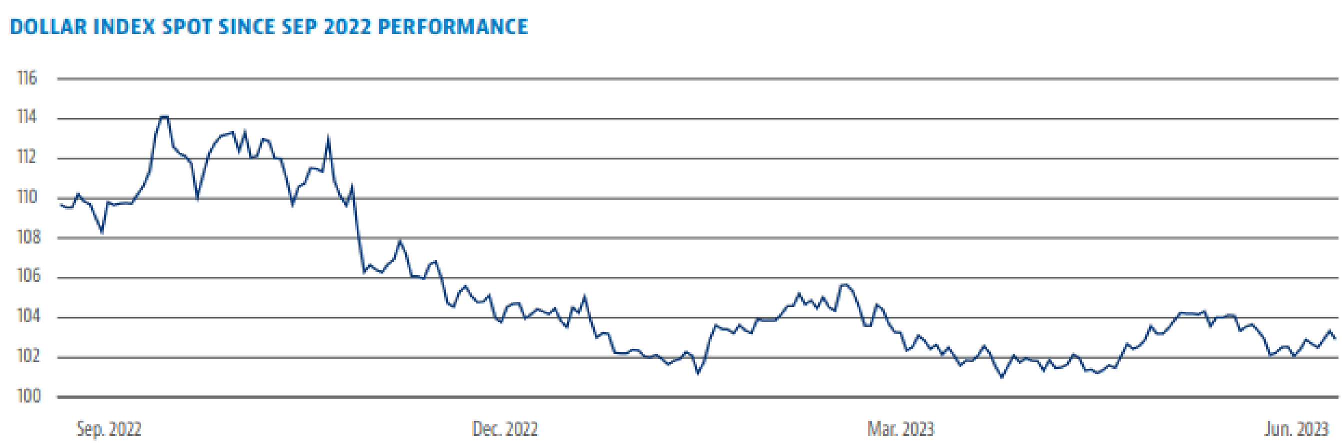
Source: Bloomberg Finance L.P.

Despite challenges in U.S. regional banks in March, stocks continued to rally, led by the technology sector. Nvidia Corporation guided very strong revenue and earnings growth for the coming quarter on Artificial Intelligence (AI) demand, and that AI story alone was enough to push the S&P 500 Index above its recent 4200 upper bound. The S&P 500 Index finished at 4450 (June 30); it was only 7% from its all-time high which was recorded when interest rates were substantially lower.



Commodities were generally weaker as Chinese economic activities following reopening from the COVID-19 lockdown were less robust than expected; consensus believes recession is unavoidable in the U.S. due to very tight monetary policies. However, job data continues to surprise on the upside.

Even though Federal Reserve Chair Jerome Powell has turned hawkish in the last few months, it is not preventing the U.S. dollar from sliding – a trend since September 2022.



Source: Bloomberg Finance L.P.

Benchmark returns in % at June 30, 2023	1 year	3 years	5 years	10 years	10-year standard deviation[1]
S&P/TSX Composite Index	10.43%	12.42%	7.62%	8.43%	12.34%
S&P 500 Index (C$)	23.08%	13.67%	12.48%	15.50%	12.38%
MSCI World Index (C$)	21.97%	11.26%	9.24%	12.06%	11.77%
FTSE Canada Universe Bond Index	3.15%	-3.75%	0.65%	2.06%	4.91%

[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 hold a neutral position of 60% equity and 40% fixed income in balanced funds in the second quarter of 2023, given bad news is behind us. The bank runs are done. Deposits are still leaving for better pricing elsewhere, but not at a dramatic rate. Equities performed well over the past month on news of the U.S. debt ceiling being raised and anticipation of a Fed pause. With the recent decline in market volatility, volume has pushed markets higher. With strong labour markets, consumption and economic variables are unlikely to changed dramatically over the next few months. Ivari balanced portfolio is approximately 59% invested in equity, 6% in cash and 35% in bonds. We also replaced external strategies with equivalent internal CI strategies that we view favourably and have regular due diligence on. The new strategies minimize external fees and demonstrate similar investment criteria to the ones they're replacing.

Within equity, we find Japan and merging markets (in particular, China) more favourable given our outlook while we maintain underweight on U.S. equities due to valuations and risk of weaker earnings. The Japanese market rally has been well-supported by the effects of delayed reopening and earnings growth. China's recovery didn't meet the market expectation, but we anticipate some government stimulus will be announced. We continue to favour quality and low volatility styles. The asset allocation in the quality factor and value sector detracted from results for the period. This factor was offset by growth factor exposure and positive manager selection. Key contributors over the period included CI Emerging Markets Corporate Class, CI Canadian Dividend Corporate Class, and CI Canadian Equity Corporate Class. On the fixed income side, we overweighted cash and short-term investment grade credit. CI Income Fund and CI Corporate Bond Fund contributed to the performance.

Segregated fund net total returns in % at June 30, 2023	1 year	3 years	5 years	10 years	MER[1]	Since Inception Standard Deviation[2]
ivari CI Conservative GIP – imaxxGIF	3.81%	-0.47%	0.66%	2.61%	3.42%	**6.2%**
ivari CI Canadian Balanced GIP - imaxxGIF	4.59%	0.77%	1.15%	2.66%	3.72%	**6.8%**
ivari CI Balanced GIP - imaxxGIF	6.63%	2.22%	1.80%	3.89%	3.46%	**7.7%**
ivari CI Growth GIP - imaxxGIF	8.98%	4.18%	2.71%	4.93%	3.46%	**9.2%**
ivari CI Maximum Growth GIP - imaxxGIF	11.91%	6.95%	3.59%	5.76%	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 June 30, 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

Policies will dominate the next six months. We will find out: 1) if the Fed is as hawkish as they suggested, 2) what kind of stimulus strategies the Chinese government will implement to boost its economy for a 5% annual growth target, and 3) if the Bank of Japan will end "yield curve control" as inflation may become an issue.

We put very little effort toward guessing whether Powell will be hawkish or dovish at the next central bank rate meeting. At the end of day, he will be data dependent, and judging on the strength of the labour market and economy, we anticipate higher for longer and no cuts until at least the second half of 2024. Given that cash generates a higher yield than long-dated bonds, we feel comfortable holding extra cash in our portfolios which gives us flexibility to add equity or bonds. We are currently underweight U.S. equity due to high earnings multiples.

Without stimulus, the Chinese economy will probably still grow at 4%+. To get to the 5% target this year, government interference does not have to be dramatic. However, the youth unemployment rate is at a historic high and consumer confidence is low. Driven by tension with the U.S., it has been harder to generate growth from foreign investment. We anticipate some incentives to boost domestic spending. With attractive valuations and coming government initiatives, upside outweighs downside. We prefer to overweight China, along with other emerging countries.

Japan has had decades of deflation and low inflation. It has allowed the Bank of Japan to keep rates at zero and implement aggressive central bank balance sheet expansion. There are signs that prices are rising in Japan due to commodities and wage pressure. While it is not at levels we saw in North America and Europe, it is high for Japanese standards. The new central bank governor, Kazuo Ueda, has indicated no rush to change the bank's monetary policy. We will give it six to twelve months. Japanese companies generally have low debt and high cash balances, so higher rates would not dramatically change their profitability. Banks will benefit from rising rates. The yen has lagged other currencies due to low yield and that may also change in the coming months. We are overweight Japanese equity and yen in our portfolios.

Aside from policies, the world is advancing due to innovation. We mentioned AI, and there is no reason not to believe AI will greatly enhance enterprise productivity, which will benefit the innovators and also the adopters. Everyone has been amazed by the ability of Chat GPT. While it may not be perfect today, technology is one of those things that get better over time. We believe high-speed computing (which enables AI) will be the next mega-trend following personal computers in the 1980s, internet in the 1990s, and smart phones since the 2000s. While we still strive for short-term outperformance, the opportunity ahead is enormous as we see the trend unfolding. We currently overweight the semiconductor industry, which supplies the "brains" for AI.

The overall asset mix is underweight bonds, overweight cash and neutral on equity. We do not have strong conviction like others that an equity market correction is imminent. There are many reasons stocks are attractive, both short-term and long-term. We do have cash to deploy if a market correction is realized.

IMPORTANT DISCLAIMERS

This document is provided as a general source of information and should not be considered personal, legal, accounting, tax or investment advice, or construed as an endorsement or recommendation of any entity or security discussed. Every effort has been made to ensure that the material contained in this document is accurate at the time of publication. Market conditions may change which may impact the information contained in this document. All charts and illustrations in this document are for illustrative purposes only. They are not intended to predict or project investment results. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies.

The opinions expressed in the communication are solely those of the author and are not to be used or construed as investment advice or as an endorsement or recommendation of any entity or security discussed. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies.

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.

Certain statements in this document are forward-looking. Forward-looking statements ("FLS") are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe" or "estimate" or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Global Asset Management and the portfolio manager believe to be reasonable assumptions, neither CI Global Asset Management nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

All indexes quoted in this document are reported on a total return basis, which assumes the reinvestment of all dividends and other cash distributions. Some indices referenced in the included portfolio commentary may not be components of the portfolio benchmarks.

Published August 30, 2023.