ivari Portfolio Commentary

Third Quarter – 2022

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Market performance

It was a dramatic round trip for stock market performance during Q3: the markets rose significantly from the beginning of July to the middle of August, followed by a share fall to write off all the gains. Investors continue to be concerned about the potential “hard landing” economic scenario and consequent global recession, with significant interest rate hikes.

The renewed rise in U.S. core inflation fueled expectations for more aggressive interest rate hikes. This prompted global stocks to post their worst YTD performances, while the S&P 500 Index reach a 52-week low by September 30, 2022. The selloff was broad-based, with sticky inflation thwarting the prospects of a dovish pivot in the near term and dimming the likelihood that central banks will be able to achieve a “soft landing”. Bond and equity prices both fell considerably. The yield curve is now significantly inverted, marking a commonly cited indicator of impending recession.

The S&P/TSX Composite Index declined with all sectors lower. Technology and materials were the worst performing sectors, while energy and financials outperformed. In the aftermath of the hot U.S. inflation report, several economists upgraded their forecasts for the Bank of Canada’s terminal policy rate to exceed 4%. The MSCI Emerging Market Index and MSCI EAFE Index are the bottom two performers in both QTD and YTD perspective.

In terms of currencies, U.S. dollar is still on its strong run, while we see notable depreciation of pound sterling and Japanese Yen. Crude oil prices reached their lowest level since January, ending the quarter at $77.1/barrel.

Benchmark returns in % at September 30, 2022	1 year	3 years	5 years	10 years	10-year standard deviation[1]
S&P/TSX Composite Index	-5.39%	6.58%	6.54%	7.30%	11.76%
S&P 500 Index (C$)	-7.81%	9.67%	11.49%	15.56%	12.15%
MSCI World Index (C$)	-12.35%	6.02%	7.47%	11.85%	11.48%
FTSE Canada Universe Bond Index	-10.48%	-2.51%	0.66%	1.65%	4.67%

[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 to position portfolios defensively as we expected a period of continued volatility to persist in the third quarter. We cut the equity exposure as the risk of a "hard landing" was consistently re-rated higher. Thus, asset allocation was the primary driver of performance as a modest underweight to stocks, slightly underweight to bonds, and overweight to cash and gold bullion benefited results. Within equity, we find Canada, Japan, emerging markets, energy sectors, and low volatility factor more favorable given our outlook, while we underweight U.S., Eurozone, I.T. and utilities sectors. Our exposure to growth factor and energy sectors also added significant value in this quarter. Key contributors included the CI Munro Alternative Global Growth Fund, CI Emerging Markets CC, CI Gold+ Giants Covered Call ETF, and CI Global Bond Fund.

Segregated fund net total returns in % at September 30, 2022	1 year	3 years	5 years	10 years	MER[1]	Since Inception Standard Deviation[2]
ivari CI Conservative GIP – imaxxGIF	-13.47%	-2.16%	0.06%	2.57%	3.42%	**5.9%**
ivari CI Canadian Balanced GIP - imaxxGIF	-12.66%	-1.36%	0.25%	2.54%	3.72%	**6.5%**
ivari CI Balanced GIP - imaxxGIF	-13.75%	-0.73%	0.76%	3.88%	3.43%	**7.4%**
ivari CI Growth GIP - imaxxGIF	-14.21%	0.28%	1.34%	4.97%	3.44%	**8.9%**
ivari CI Maximum Growth GIP - imaxxGIF	-15.26%	1.36%	1.70%	5.65%	3.73%	**10.7%**

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, 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 anticipate the markets will remain challenging in the near term as investors get overwhelmed with macro news (inflation data, jobless claims, non-farm payrolls, etc.). The markets are now pricing for above 4% terminal policy rates to reflect very stubborn inflation rates. There are signs inflation is cooling but it will take time to cut into half and eventually reach the 2% central bank target. Unfortunately, we will only get there with higher unemployment and declining wealth effect driven by weaker asset markets, as they are the only ways to cool consumers.

It is a complicated world with heightened geopolitical tensions led by Russia, North Korea, and China. Outside of the U.S., most markets are trading at abnormal discounts, reflecting rising rates and geopolitics. Despite all the near-term challenges, long-term prospects are solid as we anticipate larger returns driven by resilient earnings and improving multiples over time. In the bond land, yields have improved significantly, thereby creating cushion for any further losses.

We have likely passed the portion of the market correction where markets consistently headed for “lower lows”. There will no doubt be volatility ahead but expected returns for the 3-5 year horizon have also improved for risk taking.

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