ivari Portfolio Commentary

Fourth Quarter – 2021

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Market performance

Equity markets performed strongly in 2021 amid very solid global growth. Demand for commodities was extraordinarily strong. Oil (WTI Crude) jumped 59% to $75.21 a barrel. This helped boost earnings and prices of energy companies. The tech sector continued to be bought. Trillion dollar franchises Apple Inc., Microsoft and Alphabet (Google) returned 35%, 52% and 65% respectively, contributing significantly to the performance of the MSCI World Index.

The first half of the year was about investing in anything except government bonds. Skepticism started to develop during the second half as China rolled out new policies, which included fining tech companies for antitrust and limiting the leverage ratio of property developers. In addition, variants of COVID-19 created waves of rising cases. Moreover, inflation seemed non-transitory causing investor expectations of rate hikes to push forward. Investors steered away from the epicenters by selling emerging markets and small caps but generally remained constructive.

The 10-year Government of Canada bond yield rose in 2021 but finished at 1.42% at year end, a relatively low level for 2021. Inflation, on the other hand, was close to 4% in Canada for the year.

Benchmark returns in % at December 31, 2021	1 year	3 years	5 years	10 years	10-year standard deviation[1]
S&P/TSX Composite Index	25.09%	17.50%	10.04%	9.14%	11.33%
S&P 500 Index (C$)	27.90%	22.88%	17.07%	19.10%	11.09%
MSCI World Index (C$)	21.06%	18.63%	13.67%	15.16%	10.66%
FTSE Canada Universe Bond Index	-2.54%	4.21%	3.31%	3.27%	3.94%

[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

Throughout the year we favoured an equity tilt within most of our portfolios, while owning very little government bonds. It was an unusual environment where earnings and inflation were booming and interest rates were at the floor levels. Even though there was bad news occasionally and markets dipped temporarily, we remained committed to this positioning throughout the year as we expect the global economic recovery to last longer. Interest rates were hugging zero, the money supply was expanding, and consumers were motivated, just to name a few reasons why we believe the recovery was still at the beginning phase.

Inside each portfolio, credit out-performed rates and value out-performed growth. We were overweight credit and underweight rates. In terms of style, we were diverse in both growth and value.

Segregated fund net total returns in % at December 31, 2021	1 year	3 years	5 years	10 years	MER[1]	Since Inception Standard Deviation
ivari CI Conservative Portfolio GIP	2.99%	5.70%	3.37%	4.67%	3.37%	**5.5%**
ivari CI Canadian Balanced Portfolio GIP	5.20%	6.82%	3.72%	4.62%	3.68%	**6.0%**
ivari CI Balanced Portfolio GIP	7.13%	7.98%	4.75%	6.19%	3.40%	**7.0%**
ivari CI Growth Portfolio GIP	9.76%	10.00%	5.77%	7.44%	3.41%	**8.5%**
ivari CI Maximum Growth Portfolio GIP	13.85%	12.16%	6.66%	8.39%	3.71%	**10.3%**

Inception date: September 1, 2012; [1]MER: Management expense ratio.
Source: CI GAM | Multi-Asset Management, Bloomberg Finance L.P. and FTSE as at December 31, 2021.
MER: annual audited financial statements as of December 31, 2020 (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

Interest rates are at their bottom, the next move is higher and that should not surprise anyone. Some investors are hung up on when. Judging by economic growth, unemployment rates and inflation, we believe economies are ready for higher rates. So, anytime is fine as long as it is gradual and does not present a shock. We are confident central banks will be managing the hike cycle carefully. How much higher? We suspect the terminal rate is around 2%. The terminal rate is a central bank's maximum lending rate at the end of a hike cycle. 2% is substantially lower than normal, but as we are in a "new normal" where debt outstanding is significantly bigger, lower is actually reasonable.

Economies typically start to slow as interest rates peak. We expect central banks to take their time to hike rates to 2%, possibly two if not three years. Given 2% is a low hurdle compared to corporate earnings growth, equity should continue to perform. Obviously certain sectors would fare better. Long-dated bonds, both 10-year Canada government bonds and U.S. Treasuries, are currently yielding below the terminal rate. We would wait for the overshoot to add bonds.

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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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