

Market commentary

CI Digital Roadshow



Navigating the complex world with multi-asset strategies
Summary of a presentation by Yoonjai Shin,
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- CI Investment Consulting's objective is to deliver steady performance for each type of investor by offering sophisticated multi-asset solutions that include Portfolio Select Series and Portfolio Series.
- Surprises, whether in the economic, political or investment world, are a reality.
- Our disciplined and repeatable investment process is designed to incorporate and take advantage of surprises – surprises cause the valuations of investments to change, providing opportunities for us to sell high and buy low on behalf of our clients.
- A diversified, multi-asset class approach provides greater opportunities to adjust holdings to benefit from changing valuations.
- To reduce volatility and increase diversification benefits, our portfolios include asset classes that are less correlated – that is, they do not tend to move up and down at the same time. For example, the S&P 500 Index, a broad measure of U.S. equities, is usually negatively correlated with U.S. Treasury bonds.
- Owning multiple asset classes including currencies, and understanding correlations helps to narrow the range of outcomes for investors.
- Our decisions are guided by valuations, fundamentals and correlations – not predictions.
- Surprises in 2016 include the U.S. Federal Reserve not increasing interest rates, despite earlier projections that it would increase rates three or four times this year, as well as Britain's vote in June in favour of leaving the European Union.
- Other surprises this year include gold stocks rallying by 75%, leading the TSX to outperform developed foreign markets, and the U.S. dollar falling 15% versus the Canadian dollar, driven by strong oil prices and the reluctance of the U.S. Fed to raise interest rates.
- Despite the many unexpected events in 2016, our actions have added value:
 - We benefited from the “lower for longer” interest rate theme through our holdings of long-term U.S. Treasuries, which we began accumulating in 2015.
 - We added value and reduced volatility by increasing our holdings of U.S. Treasuries prior to the Brexit vote and taking profits shortly after. Throughout the Brexit event, we stayed



nimble and reacted to changing valuations without trying to predict what side would win the vote. This was a lot more prudent than guessing what side would win and making investment decisions based on a particular outcome. Many investors were caught off guard by the Yes side's victory, leading to elevated market volatility, which gave us the opportunity to trade in the markets to add value.

- We improved risk-adjusted performance by hedging less foreign currency exposure in 2015 and hedging more at the beginning of this year.
- We are maintaining a lower-than-normal equity weighting (approximately 55% in balanced portfolios vs. 65% two years ago). This positioning reflects our view that equity values are somewhat extended. We might give up some upside, but believe that is prudent.
- Our assessment of the U.S. and world economies and understanding of correlations gave us comfort to own government bonds at reasonable prices.
- Looking ahead: We believe our multi-asset strategies are well suited to the current low-growth world because we have a broad range of tools and the flexibility to react to events as they unfold.
 - Slow global growth, rising global debt and limited capital expenditure supports lower for longer interest rates.
 - Central bank actions are lifting all boats and posing challenges for stock pickers.
 - There are plenty of opportunities to generate added value through active management of asset mixes, currencies and beta exposures.
 - The outlook is very positive for multi-asset strategies – but only for those that are truly active and flexible.

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