

Market Commentary

CI Digital Roadshow



Summary of a presentation by Roger Mortimer, Senior Portfolio Manager, and Ryan Fitzgerald, Senior Portfolio Manager Harbour Advisors September 21, 2016

Harbour's transformation

- The Harbour team has gone through a transformation in four significant areas:
 - Leadership: Ryan Fitzgerald joined Harbour earlier this year to manage the equity funds. Ryan and Roger Mortimer are leading the group, forming a clearly defined leadership team.
 - Investment team: Of the 12 members of Harbour, seven have joined in the last 18 months. Roger and Ryan have created a team with significant empowerment and accountability.
 - Culture: The Harbour culture is engaged and communicative with an emphasis on being a highly responsive client-facing organization.
 - Risk management: New strategies have been implemented.

Common factors for success

- Three of the common factors for growing a successful investment organization in a competitive environment are: a highly talented and cohesive team surrounding key decision makers, a disciplined focus on process and a strong emphasis on risk control.
- Roger and Ryan are making the final decisions for their respective portfolios. Paul Sandhu of Marret Asset Management is managing the fixed-income portfolios within the balanced funds with Roger making the final decisions on asset allocation.
- We have changed our workflow process so that all analysts are working on all Harbour funds instead of having dedicated analysts for each fund. As a result, the portfolios are sharing more common ground.
- We are focusing on cost, not opportunity cost. Our initial risk management efforts are focused on identifying the potential for loss, not gain, and we work to manage individual security position risk. Roger has integrated this risk management framework into the balanced funds over the last three years and we have seen a significant contribution to returns. We are now applying the framework across all Harbour funds.

What do we look for?

- We are bottom-up stock pickers focused on identifying and investing in companies with the following qualities: strong cash flow generation, a conservative capital structure, above-average secular growth, continuous efforts to extract more value from the business and shareholder-focused management.

Fall Digital Roadshow



- We also look at macroeconomic variables, a process we call “macro awareness,” which involves researching the range of possible outcomes from any individual macro variable, its potential impact on individual securities, and its broad impact on the portfolio.

Stock story: General Electric

- General Electric is a multinational conglomerate that operates in several industries, including power and water, automotive and health care. We bought GE in 2014 and it has since become the largest holding in the balanced funds.
- In 2014, GE was the kind of company that could not get out of its own way and had a financial business that was dragging it down. However, our research revealed an industrial leader that was in the midst of a cultural and structural change, and we invested. After selling its financial business, the company is transforming into what it calls a “digital industrial company” at the forefront of the Internet of Things, driving asset utilization and using assets more effectively.
- It is a conservative company that also offers exposure to high-growth, disruptive technologies.
- GE has delivered a return of almost 60% since our purchase, substantially greater than the S&P/TSX Composite Index.

Why choose Harbour?

- Harbour Global Growth & Income Corporate Class has successfully delivered on balanced exposure in a conservative way over the last three years.
- Since joining Harbour earlier this year, Ryan has trimmed about half of the holdings in Harbour Fund and the portfolio now reflects the team’s new investment process. The fund currently has a 15% cash balance in response to potential volatility.
- Global liquidity is tightening as a result of central bank actions and the strong U.S. dollar, and investors are more discerning about how they spend capital. This bodes well for value investing, which has been rebounding over the last year and is now creating a level playing field for value investors such as ourselves – possibly even a tailwind.

This commentary is published by CI Investments Inc. as a general source of information and should not be considered personal investment advice or an offer or solicitation to buy or sell securities. Every effort has been made to ensure that the material contained in this commentary is accurate at the time of publication. However, CI Investments Inc. cannot guarantee its accuracy or completeness and accepts no responsibility for any loss arising from any use of or reliance on the information contained herein. This report may contain forward-looking statements about the fund, its future performance, strategies or prospects, and possible future fund action. These statements reflect the portfolio managers’ current beliefs and are based on information currently available to them. Forward-looking statements are not guarantees of future performance. We caution you not to place undue reliance on these statements as a number of factors could cause actual events or results to differ materially from those expressed in any forward-looking statement, including economic, political and market changes and other developments. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Unless otherwise indicated and except for returns for periods less than one year, the indicated rates of return are the historical annual compounded total returns including changes in security value. All performance data assume reinvestment of all distributions or dividends and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. ©CI Investments, the CI Investments design, Harbour Advisors and Harbour Funds are registered trademarks of CI Investments Inc. Published September 2016.