

Market Commentary

Digital Roadshow 2017



Capital protection remains key

Ryan Fitzgerald, Senior Portfolio Manager & Senior Vice-President
Roger Mortimer, Senior Portfolio Manager & Senior Vice-President

- Harbour Fund and Harbour Global Equity Corporate Class have undergone significant change since Ryan began managing them nearly a year ago, with roughly 50% of the funds having turned over. There are 23 new names in Harbour Fund (out of a total of 45) and 19 new names in Harbour Global Equity Corporate Class (out of a total of 35.) Elements of our strategy include diversification, quality of management, asset quality and balance sheet quality. We take a more diversified approach when investing in the cyclical resource sector, and will pay a premium to get the high-quality attributes we're looking for. The current portfolio indicates that our process and team are yielding results.
- It is difficult to understate the impact of politics and central bank policy on the overall investing environment. We seem to be entering a new phase in which central banks are less important and the markets instead are trading on the expectation of fiscal policy. This happened in Canada with the election of Prime Minister Justin Trudeau, based on a series of stimulus promises. U.S. President Donald Trump is very much in this mold and represents the populism mindset. We want to anticipate potential events that could hurt our clients' portfolios and take steps to mitigate those risks.
- President Trump is clearly focused on the U.S., less so on the rest of the world, and has a protectionist bias. This has implications for America's largest trading partners, how we approach investing in Canada, foreign content and currency. The biggest uncertainty relates to geopolitical risk. We are therefore very focused on protecting our clients' capital.
- Over the last three years we have taken steps to generate more alpha from security selection with a stronger and more robust portfolio construction and risk management approach. Value is a very effective investing style over the longer term, over 40 years, but it also goes through periods where it's significantly out of favour. We have just endured one of those periods where growth trounced value for five or six years, but the value style has been outperforming growth for over a year now. Many investors could be under-allocated to value because of a recent bias for growth.

Market Commentary

Fourth Quarter 2016



- Stocks that added to the performance of the Harbour funds in 2016 include: Symantec, Johnson & Johnson, Morgan Stanley, Microsoft, Foot Locker and Corus Entertainment. We look for recognizable, predictable companies that generate cash flow and have under-levered balance sheets. Our decision to invest in Corus Entertainment was based on its price and what we felt was an excessive margin of safety. Its shares appreciated 30% and we made another 12% on the dividend.

This commentary is published by CI Investments Inc. It is provided 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. Harbour Advisors is a division of CI Investments Inc. Certain funds associated with Harbour Advisors are sub-advised by CI Global Investments Inc., a firm registered with the U.S. Securities and Exchange Commission and an affiliate of CI Investments Inc. Certain portfolio manager(s) of CI Global Investments Inc. are associated with Harbour Advisors. Published February 2017.