

Market Commentary

Third Quarter 2018



Signature Dividend Fund

The U.S. equity market as measured by the S&P 500 Index returned more than 7% during the third quarter. The U.S. market supported a positive but less robust 3.7% return for the MSCI ACWI Index, which includes both emerging and developed world markets. The MSCI ACWI High Dividend Yield Index outperformed the broader market index with a gain of 4.4% in U.S. currency or 2.7% in Canadian dollars. Returns for the Canadian equity market were relatively weak, with the S&P/TSX Composite Index declining more than 1% over the three-month period.

The market value of global equities as measured by the Bloomberg World Exchange Market Capitalization Index at September 30, 2018 was 7% below its January 31, 2018 peak of \$86 trillion. We have noticed that the U.S. is back to representing more than 40% of global market value, a level it has not been at since early 2005. Signature Dividend Fund has typically maintained a high exposure to U.S. equity, which has been beneficial. However, moving forward it seems appropriate to moderately de-emphasize U.S. holdings which may be less undervalued than potential European or Asian opportunities. Outside of the U.S. market, volatility and equity risk premiums have risen significantly. Our team views equity market valuations as quite reasonable, with global growth indicators generally remaining encouraging.

The Canadian Investment Grade Index returned -0.45% in the quarter, outperforming Canadian government bonds as spreads tightened two basis points. In Canada, investor appetite for credit remained balanced as spreads have been fairly stable over the past two quarters compared to U.S. spread volatility. The highest-returning areas of the market were short financials and securitization, while the lowest-returning areas were long-term infrastructure and energy, mostly due to the move in rates.

The fund (Class F) returned 1.4% for the quarter. Active currency hedges moderately benefited the fund's performance. Our individual security selection resulted in strong performance in health care and industrials, but weak performance elsewhere.

Sector results were quite varied during the period. Health care was the strongest sector and Pfizer was our strongest holding with a 22.5% return. The rotation back into the defensive names of health care, combined with a positive trial readout for one of the company's pipeline assets, resulted in Pfizer's significant outperformance.

The fund's consumer cyclicals, materials, utilities and energy positions registered negative performance during the quarter and our positions underperformed. Newell Brands declined a further 13.8% in the period, and we have exited this position. Newell's turnaround is taking more

Market Commentary

Third Quarter 2018



time than expected, and better risk-adjusted opportunities are available in other discretionary names at the moment, such as McDonald's which has been added to the fund. In the materials sector our position in The Chemours Company, a manufacturer of industrial and specialty chemicals, declined 10.6% on pricing pressure concerns which we feel are excessively discounted in the company's valuation.

Synchrony Financial was one of the larger detractors during the quarter with a negative return of 6.2% after the company announced that a major client, Walmart, was taking their store card business to Capital One. This risk of potential client loss has been an overhang for some time, but we like Synchrony because it generates superior return on capital relative to other financials which supports significant returns to shareholders while reinvesting to support attractive growth. The loss of a major client relationship is alarming. However, a client as large and dominant as Walmart can be overly demanding and potentially economically unprofitable. Synchrony is expected to continue to generate superior returns on capital relative to competitors, and the capital released from Walmart-related assets can be returned to shareholders through share repurchases. It is very noteworthy that Synchrony's 2019 consensus earnings per share estimates at September 30, 2018 were five cents higher than they were on June 30, 2018 before announcing the Walmart decision, demonstrating attractive resilience and discipline in its business model.

Our high exposure to the information technology sector was beneficial as our average return in the sector was a very helpful 9.4% over the quarter. Microsoft's 16.4% return added 18 basis points to portfolio performance.

The outlook for Canadian investment-grade bonds is mixed for the next quarter, as we believe the Canadian and global economies will post modest growth, as various geo-political issues and trade tariffs slow growth.

Class F Returns (in %) as at September 30, 2018	Year-to-date	1 year	3 year	5 year	10 year
Signature Dividend Fund	1.3	5.5	8.8	7.9	8.0

IMPORTANT INFORMATION

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compound total returns net of fees (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all distributions 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.

The statements contained herein are based on material believed to be reliable. Where such statements are based in whole or in part on information provided by third parties, they are not guaranteed to be accurate or complete. CI Investments Inc.

Market Commentary

Third Quarter 2018



SIGNATURE
GLOBAL ASSET MANAGEMENT

and its affiliates and related entities are not liable for any errors or omissions in the information or for any loss or damage suffered.

The contents of this piece are not to be used or construed as investment advice or as an endorsement or recommendation of any entity or security discussed.

The comparison presented is intended to illustrate the Mutual Fund's historical performance as compared with the historical performance of widely quoted market indices or a weighted blend of widely quoted market indices. There are various important differences that may exist between the Mutual Fund and the stated indices that may affect the performance 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. Indices are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices.

Certain statements in this document are forward-looking. Forward-looking statements ("FLS") are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate," or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Investments Inc. and the portfolio manager believe to be reasonable assumptions, neither CI Investments Inc. nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

CI Investments® and the CI Investments design and logo are registered trademarks of CI Investments Inc. Signature Global Asset Management™ and Signature Funds™ are trademarks of CI Investments Inc. Signature Global Asset Management is a division of CI Investments Inc.

Published October 2018.