Market Commentary
Second Quarter 2018

Signature Global Energy Corporate Class

Energy market performance during the quarter was robust. This is not a surprise as excess oil inventories have been drawn down. Both the S&P 500 Energy Index and the S&P/TSX Energy Index outperformed their broader indexes for the quarter (15% for S&P Energy versus 3% for S&P 500 Index and 16% for S&P/TSX energy versus 6% for the S&P/TSX Composite Index). The fund was up 13% in the quarter.

The energy market's performance was helped by the rebound of crude oil prices in April and May as supply from Venezuela and several other OPEC countries (Libya, Nigeria, Angola) disappointed. In November 2016, OPEC had agreed to cut production of around 1.3 million barrels per day (b/d). However, due to production issues, the actual cut was closer to 2 million b/d. To offset the production decline, OPEC and Russia agreed to bring back production to reach 100% compliance and help to stabilize prices and inventory.

An increase in production could moderate prices in the near term. However, as OPEC and Russia increase production, spare capacity will decline. Should the sanctions on Iranian oil exports be enforced, spare capacity could be drawn down more significantly. Combined with the limited ability of the U.S. to act as a swing producer given the infrastructure constraints, a case can be made for a more constructive view on oil prices for the next 18 months.

The biggest risk to this constructive outlook comes from the demand side of the equation, given the escalating trade tension and higher commodity price. Trade tension/war has the potential to paralyze investment, slowing global growth, which ultimately rations crude demand.

We are not yet overly concerned that the higher crude oil prices will destroy demand. With the Brent price around $75 per barrel, this only represents 3% of global GDP, which is still much lower than the 5% level during the 2011-2013 period when the oil price was over $100 per barrel. During that period, oil demand was still up over 1.1 million b/d annually. Therefore, barring the impacts of a full-scale trade war, we remain constructive on crude oil.

Natural gas inventories are at the low end of the five-year range and prices have been range-bound, reflecting the ample supply of low cost natural gas in North America.

Fund performance was helped by holdings in international (Brent-linked) names such as Hess, Parex Resources, Suncor Energy and Royal Dutch Shell. However, our holdings in Permian names that were exposed to the wider Midland differential, such as RSP Permian and Cimarex Energy, underperformed. The logistical bottlenecks that caused the midland differential to widen from $5 to

$15 per barrel are temporary and will likely narrow to below $5 per barrel as new pipelines are bought online at the end of 2019.

Given our constructive outlook for oil, combined with reasonable valuations, we continue to overweight the portfolio toward exploration and production oilfield services (as opposed to integrated and refineries). Furthermore, energy management teams continue to promise investors capital discipline and a focus on returns. With many of the companies generating close to high single-digit free cash flow, a number of companies have increased their share buybacks (Anadarko Petroleum, ConocoPhillips) and we expect that more companies (Royal Dutch Shell, Total, Devon Energy) will announce additional share buybacks in the next few quarters. This should continue to be a catalyst for a sector re-rating.

We expect the infrastructure bottlenecks to be removed, and North American oil prices to re-align with international (Brent) as pipeline capacity gets built. In the interim, however, our portfolio additions (ConocoPhillips, Saipem, and Noble Energy) have increased our weighting to Brent-linked crude oil pricing.

Class F Returns (in %) as at June 30, 2018	Year-to-date	1 year	3 year	5 year	10 year
Signature Global Energy Corporate Class	9.0	23.9	1.9	2.5	-0.2

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 compounded total returns including changes in security value and reinvestment of all dividends or 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.

Class F securities are generally only available to clients who have a fee-based account with their dealer. CI Investments Inc. does not pay trailing commissions to dealers who sell Class F securities, which means CI Investments Inc. can charge a lower management fee compared to other securities of the same Fund. A lower management fee may positively impact the performance data shown when compared to other securities of the same Fund.

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. 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.

Market Commentary

Second Quarter 2018

Published July 2018.