Market Commentary
Fourth Quarter 2017

SIGNATURE
GLOBAL ASSET MANAGEMENT™

Signature Global Resource Fund

The fourth-quarter results for the natural resources sectors were largely a continuation of the strong third quarter. While receiving less support in the quarter from a weakening U.S. dollar, the economic environment remained benign for commodities. A continuation of China's environmentally driven supply-side reform, combined with facility outages for some commodities, also provided support. Equities reflected this positive backdrop, although performance during the quarter was more aligned with the broader market.

Energy had the greatest divergence in performance among natural resources. The S&P/TSX Energy Index shifted from being the best-performing sector during the third quarter to the worst in the fourth quarter, with a return of -0.2%. This occurred despite strengthening oil prices – Brent and West Texas Intermediate climbed over 16% during the quarter.

Globally, energy indexes fared better with MSCI World Energy Index posting a +5.9% return over the same period. The relative underperformance of S&P/TSX Energy was due to Canada-specific issues. During the quarter, a leak in a pipeline that carries heavy crude to U.S. markets disrupted transportation within an already tightening pipeline environment. The export-capacity issue is transitory but additional crude production in 2018 is likely to continue to pressure access and therefore prices for Canada's heavy oil will continue to adjust to incentivize rail transportation options.

In addition to depressed heavy oil prices (down 15% in the quarter), Canada's natural gas prices reached their nadir for the year, and a record 25-year low, early in the quarter. They have since recovered amid colder temperatures, but questions remain about the mid-term competitiveness of Canadian gas in an oversupplied North American market. While we question the sustainability of current oil prices above $60 a barrel given the responsiveness of U.S. shale, and current valuations reflect a more balanced risk-reward, we continue to prefer oil-weighted equities over natural gas given the more favorable fundamentals.

Performance by the materials sector was more consistent. The S&P/TSX Materials index increased by 4.6% during the quarter while the MSCI World Materials Index was up 7.6% (the second-best performing sector during the quarter). The discrepancy in benchmark performance was largely due to the muted performance of the precious metals group. For most of the base metals, the fourth quarter saw strength in commodity pricing almost across the board. Nickel prices increased by 22%, copper by 12% and aluminum by 8%. Solid global economic growth, combined with supply-side reform in China, continued to provide a constructive environment for the globally traded metals.

2 Queen Street East, Twentieth Floor, Toronto, Ontario M5C 3G7 | **www.ci.com**

CI Investments®

Head Office / Toronto	Calgary	Montreal	Vancouver	Client Services
416-364-1145	403-205-4396	514-875-0090	604-681-3346	English: 1-800-563-5181
1-800-268-9374	1-800-776-9027	1-800-268-1602	1-800-665-6994	French: 1-800-668-3528

Some of the strength in metals prices was also due to positive sentiment following London Metal Exchange (LME) Week in October. Traders and other market participants who attended the annual event in London were optimistic about continued market tightness for copper, nickel and zinc – driven by supplier discipline finally bearing fruit and expectations of high metals demand as electric vehicle (EV) adoption grows. As a result of strong performance in 2017, we see a transition in sector leadership within the base metals landscape in 2018. And with strong global demand growth for copper, helped by EV demand, combined with an expected supply response for zinc, we expect copper to outperform zinc in 2018.

Most of the precious metals had a muted fourth quarter with price appreciation below 2%. Given the hike in the U.S. Federal Reserve funds rate during the quarter, the performance of precious metals prices is understandable. We expect continued muted performance this year as the offsetting impact of positive and negative drivers keep the gold price range-bound.

Among non-metals materials, global coal prices benefitted from China's continued supply-side efforts to reduce productive capacity. Nevertheless, the strong performance of the bulk commodities (iron ore, and metallurgical and thermal coal) isn't expected to repeat in 2018 due to weakening demand and reduced capacity from the world's largest steel producer (China) stemming from environmental reforms.

The polyethylene and pulp industries will see the finalization of significant capacity expansion in 2018. We believe these commodity prices have the potential to inflect later in the year. Solid global demand growth for downstream consumer products and a lengthy construction period (4+ years) for new capacity continues to point to a constructive mid-term outlook for these commodities.

The fourth quarter highlighted the need for global scope when investing in resources. Not only do many commodities depend on demand and supply from various parts of the world, but the equity composition of any one market may not fully capture potential returns. The S&P/TSX Index, with its healthy energy weighting, was unable to provide a return commensurate with the improvement in oil prices during the quarter.

Fortunately, Signature Global Resource Fund's healthy exposure to U.S. Permian producers, and the deliberate underweighting of Canadian natural gas enabled a positive performance during the quarter, despite the divergent performance of the Canadian energy market.

The S&P/TSX Materials index faces a similar issue: its large weighting in gold resulted in underperformance relative to the global benchmark in a quarter when precious metals didn't shine. The fund's holdings of global miners BHP and Glencore, both providing exposure to strong copper and coal markets, contributed to the fund's performance during the quarter. Also contributing was an overweight in Trevali Mining, a junior zinc producer. Missing from the equities makeup of Canadian materials are chemicals, construction, coal and packaging exposure – sectors that posted strong results for the quarter. The contribution from plastic-packaging company, Sealed Air, and containerboard producer, WestRock, both derivative plays on the growing e-commerce trend, also helped the fund's outperformance.

Outlook

The continued growth in global gross domestic product (GDP), especially from emerging markets, continues to provide a backdrop of constructive demand for most commodities. Combined with supply-side constraint of some China-based commodities, the supply-demand balances are getting increasingly tight. While some commodity prices are approaching levels that incentivize new capacity – which would cap further upside – some commodities such as copper, pulp and polyethylene are still expected to experience improving industry fundamentals in the second half of 2018. We believe that capturing this transition in the portfolio will be important for the next 12 months.

While global growth is supportive of all commodities, the wide variety of sectors within resources and their role as the raw material and building blocks of many consumer goods, results in a broad investable universe. A deep understanding of industry-supply costs and demand fundamentals, combined with a wide scope and vigilance, should continue to help us to identify and capitalize on investment opportunities.

Class F Returns (in %) as at December 31, 2017	Year-to-date	1 year	3 year	5 year	10 year
Signature Global Resource Fund	-1.3	-1.3	2.8	1.4	0.7