

## CI Global Balanced Yield Private Pool Third Quarter 2019 Commentary

### FUND HOLDINGS

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- **Alphabet Inc.** provides online advertising services globally, operating through its Google and Other Bets segments. Its Google segment offers many products, such as online advertising, a search engine, hardware, Android, Chrome, Google Cloud, Google Maps, Google Play and YouTube, as well as technical infrastructure.
- **Brookfield Asset Management Inc.** is a global alternative asset manager with \$150 billion in fee-bearing capital.
- **Brookfield Infrastructure Partners L.P.** is one of the largest owners and operators of critical infrastructure assets globally.
- A holding in **U.S. Treasury 3.0% August 15/2048** bond contributed to performance. Long-duration (sensitivity to interest rates) U.S. government bonds performed very well as a result of declining yields, which increased the bonds' price substantially.
- **SS&C Technologies Inc.** offers software products and software-enabled services to the financial services and health care industries. Its products and services allow clients to automate and integrate both front-office and mid-office functions, which include trading and modelling, and portfolio management and reporting.
- **UnitedHealth Group Inc.** is a diversified health care company based in the U.S. Its UnitedHealthcare segment offers health benefit plans and services to national employers, public sector employers, mid-sized employers, small businesses and individuals.
- **Stella-Jones Inc.** is a leading North American manufacturer and supplier of pressure-treated wood products (e.g., railway ties and utility poles).
- **Tourmaline Oil Corp.** is a Canadian senior crude oil and natural gas exploration and production company.
- **Cigna Corp.** is a global health service company that provides health, pharmacy, dental, insurance and Medicare plans to individuals, families and businesses.

## PORTFOLIO ACTIVITY

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- We added to an equity position in **SLM Corp.** during the period, a company that provides student lending in the U.S. We believe the company is substantially undervalued relative to its returns on equity and its long-term growth prospects.
- We added a new equity position in **CCL Industries Inc.**, which produces a broad range of specialty packaging applications and is the global leader in labelling. The company generates a high level of free cash flow and return on equity with its large geographic footprint, giving it a key competitive advantage.
- A new holding in **United Parcel Service Inc. 2.5% September 1/2029** bond was added based on its valuation and the high-quality nature of its business. The company, founded in 1907, has grown into a global company that is the world's largest package deliverer and a leading global provider of specialized transportation and logistics services.
- The position in **Stella-Jones Inc.** was eliminated from the pool given constant uncertainty regarding the supply/demand balance of railway ties and the timing of an upgrade cycle for utility poles.
- An equity holding in **International Game Technology**, which provides gaming systems and lottery services in Europe and North America, was eliminated from the pool. While we like the company's long-term contracts, we became less confident in its ability to grow and had concerns around its debt levels. Accordingly, we chose to exit the position and deploy the proceeds into more attractive investment opportunities.

## MARKET OUTLOOK

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- We expect to see continued economic challenges, led by manufacturing and the global traded goods sectors.
- Geopolitical tensions will likely remain high on numerous fronts and should weigh on business spending.
- The pool's duration (sensitivity to interest rates) has been extended through the purchase of government bonds after the recent rise in bond yields.
- We have a cautiously optimistic outlook for North American economies. While global growth has slowed, we are not forecasting a recession in North America, but Western Canada would be most at risk if no new energy infrastructure projects are approved.

- Industrial production has turned negative, with most gross domestic product growth now coming from the consumer. We expect that some of this industrial slowdown will negatively impact consumer sentiment over time.
- Further interest rate cuts by the U.S. Federal Reserve are likely and we believe that Canada will follow suit, but that is not a consensus view held by the market. Lower interest rates should provide a stimulative effect to some areas of the economy, such as housing.
- We have reduced the pool's cyclical exposure and have added to existing holdings that are less exposed to the economy (particularly the industrial economy). Our view that the U.S. will continue to grow faster relative to Canada has led us to maintain the pools overweight allocation to U.S. equities.

Sources: Morningstar Research Inc., Bloomberg Finance L.P. and Sentry Investment Management, as at September 30, 2019.

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