Market Commentary
First Quarter 2020

EPOCH Investment Partners

CI American Small Companies Fund

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Class F returns (in %) as at March 31, 2020	Year-to-date	1 year	3 year	5 year	10 year	Since inception (2000-08-08)
CI American Small Companies Fund	-24.2	-19.3	-6.2	-0.4	9.0	3.0

Source: Epoch Investment Partners, Inc., as at March 31, 2020.

Market Overview

- The COVID-19 outbreak became a global pandemic. Stocks tumbled swiftly into a bear market, with some markets reporting their worst quarter in decades. The longest bull market in U.S. history ended abruptly with the fastest-arriving bear market ever.

- Investors began the quarter with guarded optimism about the global economy, which appeared to be recovering from a manufacturing slump. Equity markets then crumbled in February as it became evident the virus was not contained within China and that governments would voluntarily shut down their economies to slow its spread—an unprecedented event.

- Central banks provided liquidity while acknowledging that monetary policy had its limits and that fiscal policy needed to be more supportive. The Federal Reserve (Fed) cut short-term rates to zero and provided other forms of liquidity to keep credit markets functioning. The precipitous drop in stock prices continued unabated, however, until the Fed announced unlimited purchases of Treasury bonds while Congress appeared on track to pass a massive $2 trillion spending bill.

Performance Summary

- Over the first quarter of 2020, the CI American Small Companies Fund (the Fund) was down 24.2% while its benchmark, the S&P 1000 Total Return Index, was down 23.8%.

- Security selection primarily in the financial and industrial sectors detracted from results. This factor was partially offset by positive selection in other areas including consumer discretionary.

- A less-than-index weight in health care and utilities, down only 19.5% and 12.6% respectfully, also detracted from results.

Contributors to Performance

- In consumer discretionary, Stamps.com Inc. appreciated sharply after the company reported fourth quarter 2019 revenue and profits that exceeded expectations. The company also increased its guidance for full year 2020 profit growth. Due to the sharp run-up in the stock price, we opted to sell the Fund's position in the company in February.

- In health care, Universal Health Services Inc. reported fourth quarter revenue and earnings that exceeded consensus expectations. The company operates acute care hospitals, behavioral health centers, surgery centers, ambulatory surgery and oncology centers in the U.S., Puerto Rico and the U.K., and includes 24 inpatient acute care hospitals, three freestanding emergency departments and 213 inpatient and 16 outpatient behavioral health care facilities. Over the next 3-5 years, penetration of free-standing behavioral facilities should grow as more Medicaid patients will be able to be treated at outpatient facilities rather than acute facilities under current regulations. In addition, economic recovery in the company's key regions should drive same facility growth in the acute business at mid-single digit rates.

Detractors from Performance

- In financials, Bank OZK's shares have come under pressure due to concerns related to its relatively large commercial loan portfolio. We believe that these concerns are overstated. Historically, the company has generated favourable returns by maintaining an above average net interest margin, favourable asset quality, and a lower than average efficiency ratio as compared to most industry peers. In its 37-year history, Bank OZK has never lost money, including during the financial crisis, a strong indication of its overall credit discipline. More recently, Morgan Stanley ran a quality test on its bank coverage looking at credit history, capital ratios, and consistency. Bank OZK scored third overall out of the over 20 banks included in its coverage. In a recent display of strength and conviction, on April 1, the company increased its dividend by 22.7% on a year-over-year basis. The current dividend yield now equals an attractive 7.2%.

- In industrials, Insperity Inc.'s shares declined after the company reduced its forward guidance for 2020 revenue and profits. The company cited higher medical costs trends and slower worksite employee

growth as reasons for the decline. Insperity provides a wide range of human resources and business solutions that help businesses improve their performance. In our view, the company is in a unique position to be a key resource to small businesses during this difficult time. Small businesses are now facing a plethora of local ordinances, federal stimulus conditions, and employee management challenges as a result of the COVID-19 pandemic, all while trying to manage their businesses and follow best practices.

- Other factors impacting the strategies relative performance for the period included:
    - The continued strong performance of growth versus value with the Russell 2000 Growth Index down only 25.8% for the quarter versus -35.7% for the Russell 2000 Value Index.
    - The liquidation of a $3 billion hedge fund that was one of the largest shareholders in Colliers International and XPO Logistics, two top holdings in the U.S. Small Cap strategy. The selling activity of the hedge fund has placed significant downward pressure on the stock price of both Colliers and XPO. We expect this pressure to abate in the near future.

Portfolio Activity

- We purchased J&J Snack Foods Corp. and Zynga Inc. J&J Snack Foods Corp. manufactures, markets, and distributes snack foods and beverages to foodservice and retail supermarket outlets. Demand for the company's products is increasing in the current environment. Zynga is a developer of mobile video games. Games are played on mobile platforms including Apple's iOS, Google's Android, and social networking platforms like Facebook and Snapchat. The company's business model is leveraged to entertainment at home experience, and mobile video game growth continues to grow faster than other forms of entertainment.

- We added to select positions in the Fund that should benefit from an increase in process technology and on-line collaboration including software companies such as Aspen Technology Inc. and CyberArk Software Ltd. We also added to Dollar Tree, Inc. which serves as a dependable source of staples goods for consumers, and as a result have experienced a surge in foot traffic in their stores. The company has indicated that it remains confident in its supply chains.

- We sold or trimmed positions in companies that are more susceptible to the current slowdown in economic activity including Alamo Rent A Car, Berry Global, Inc., Choice Hotels International, Inc., Comfort Systems USA, Inc., Hingham Institution for Savings, Hexcel Corp, and The Toro Company.

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Outlook

- In general, the onset of the coronavirus pandemic has led to a sharp increase in volatility in the U.S. small and mid-cap equity markets. As a result, we are witnessing violent swings in market leadership on a day-to-day basis. In our view this crisis is different than the financial crisis, and it's clearly a temporary problem. Our base case is for a V-shaped recovery in the second half of 2020. We believe its highly likely that the virus will be contained within the next few months which will result in the unleashing of significant pent-up demand, and that economic growth will resume in the back-half of the year.

- With that said, in our opinion the market is now discounting a severe and prolonged recession, both in terms of GDP and corporate profit growth, that is unrealistic in both its timing and magnitude.

- The Fund remains invested in companies that generate above average levels of profits and cash flow relative to many peers and are now trading at very attractive valuations relative to the market overall. As a result, companies held within the Fund will be in a better position to recover quickly when the recovery commences.

Source: Bloomberg Finance L.P.; Morningstar Direct; and Epoch Investment Partners, Inc.

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