CI SYNERGY GLOBAL CORPORATE CLASS

Q2-2021 Commentary

CI GLOBAL ASSET MANAGEMENT

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.
CI Synergy Global Corporate Class, Series F*	29.6%	12.5%	12.9%	12.2%	5.7%
Benchmark: MSCI World Total Return Index (C$)	27.0%	13.3%	14.4%	14.1%	5.7%

* Inception date November 30, 2000. Formerly Synergy Global Corporate Class, renamed effective July 29, 2021.
Source: Picton Mahoney Asset Management, as at June 30, 2021.

PERFORMANCE SUMMARY

- Over the second quarter of 2021, CI Synergy Global Corporate Class, Series F (the Fund) returned 6.4% compared with the MSCI World Total Return Index (C$), which returned 6.3%.
- The Fund outperformed its benchmark during the period, largely as a result of underweight positions in the utilities and health care sectors. Notable individual performers included holdings in Alphabet Inc. and Morgan Stanley.
- Overweight exposures to the industrials and materials sectors detracted from performance.

CONTRIBUTORS TO PERFORMANCE

Alphabet Inc. (parent company of Google) was one of the Fund's top individual contributors to performance. It delivered a best-in-class quarterly earnings report at the end of April. The economic recovery led to a significant increase in internet search activity, and YouTube performed well as a result of e-commerce strength. The company reported lower-than-expected capital expenditures and signalled a desire to spend less on real estate as more employees work from home. A holding in Microsoft Corp. also performed well on the back of strong first-quarter results. Its Azure business line continued to grow and its commercial bookings accelerated to 38% year-over-year growth versus 11% in the prior quarter. Microsoft Corp. also reported better-than-expected operating margins and operating income. The stock remains inexpensive versus its historical growth rate and level of consistency.

DETRACTORS FROM PERFORMANCE

DraftKings Inc. beat first-quarter revenue expectations by 30%, driven by rising monthly unique payers and higher-than-expected spend per user. That said, higher marketing, expenses and product costs led to just in-line earnings results. The stock struggled relative to the market amid concerns of increased competition, which has led to market share losses and increased spending. Volkswagen AG's Preferred stock retreated during the period after strong performance in the first quarter of 2021. Some of the weakness seems to be a result of investor concerns over how the semiconductor chip shortage could impact auto production and sales in 2021. This is an industry-wide issue that will likely resolve itself over the next few quarters. The other challenge for the company is the short-term loss of market share in China as a result of some operational issues at its local partner and weaker ramp-up of its electric vehicle offering in that country.

PORTFOLIO ACTIVITY

We added a new position in CarMax Inc. to the Fund as the backdrop for used vehicle dealers was very strong, both from a unit demand perspective and from a pricing perspective. The environment is unique given new vehicle supply shortages, with gross profit per vehicle at record levels. While the near term is certainly conducive, it is the long-term strategic shift that we are attracted to. After a long period of evaluation and investment, CarMax Inc. is now 10 months into its omni-channel launch. A national advertising blitz has spurred greater customer awareness and is likely to result in a sustained period of above-average performance.

We exited the Fund's position in W.R. Berkley Corp. as its rate increases began to slightly decelerate (although still increasing at a reasonable rate). With three years of significant rate increases, underwriting profitability should continue to improve for most insurers. This, coupled with additional capacity coming into the market, may result in rates leveling off later in the year and into 2022. For W.R. Berkley Corp., although profitability will likely continue to improve, we believe its current valuation is not merited.

MARKET OVERVIEW

The macroeconomic dynamic was positive for cyclical stocks in the first half of this year. However, there are signs that the environment may not be as favourable for the rest of 2021. Monetary policy support has peaked, led by a shift in tone from the U.S. Federal Reserve and lower credit impulse out of China. The infrastructure package appears to be smaller than expected, and the U.S. reopening trade appears largely over. Given these factors, we have shifted some of the Fund's weighting out of shorter-cycle holdings into more growth-oriented stocks that remain reasonably valued and organic growth stocks in the more defensive sectors.

Source: Picton Mahoney Asset Management research based on raw data from Morningstar Research Inc., and Bloomberg Finance L.P.

CI GLOBAL ASSET MANAGEMENT

For more information, please visit ci.com.

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Published: July 16, 2021.