ivari Portfolio Commentary

First Quarter – 2020

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Market performance

Initially, the COVID-19 pandemic was expected to be contained within the Hubei province of China and affect only a handful of surrounding provinces. Stocks globally reached new highs in February even though China locked down Hubei and manufacturing activity contracted substantially. The consensus was that the virus would not be widespread, manufacturing would re-open and any economic damage would be offset by central government programs. Investors quickly realized in March this would not be the case when the World Health Organization officially declared the outbreak as a pandemic, with rapid increases in new cases around the globe and deaths in G7 nations.

It is extremely difficult to model economic impacts attributed to a new virus outbreak as there is no way to determine when and how it will end. As with other major events in history, investors tend to focus on worst-case scenarios, as was seen in March's dramatic decline in stock prices. Other investments such as corporate bonds, government bonds and gold bullion were also dumped for cash. Suddenly, it was a buyers' market. U.S. markets as measured by the S&P 500 Index in Canadian dollar terms, performed relatively well due to an 8.3% gain in the U.S. dollar for the quarter. Canada felt even more pain as oil prices fell over 60% in a matter of days when Saudi Arabia raised oil production at a time when demand was already declining.

Markets stabilized somewhat when central banks started cutting interest rates and launching quantitative easing measures, and governments announced subsidies to individuals and businesses, as well as other stimulus programs. Globally, there were over 300 "rescue" measures announced, the size and speed of which were unprecedented. The balance sheets of many individuals and businesses are being supported temporarily but they desperately need economic activity to resume to generate income. The good news is that once the spread of COVID-19 moderates, we expect the majority of consumer activities to return. The bad news is that consumers have turned cautious. Until there is safe vaccine, people's lifestyles will be different and a portion of consumption and spending will be suspended for a longer time period. We believe that markets were likely priced for an outcome worse than what will actually transpire, so some stability and market recovery should be expected.

Benchmark returns in % at March 31, 2020	1 year	3 years	5 years	10 years
S&P/TSX Composite Index	-14.2	-2.2	0.9	4.1
S&P 500 Index (C$)	-1.3	7.2	9.1	14.3
MSCI World Index (C$)	-4.4	4.5	6.2	10.8
FTSE Canada Universe Bond Index	4.5	3.7	2.7	4.3

Source: Bloomberg Finance L.P., FTSE

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We were constructive on our 2020 economic and market outlook based on some leading indicators and announcements in 2019 that included a phase-one trade agreement between the U.S. and China, and interest rate cuts in the U.S. No one was able to foresee the COVID-19 pandemic. However, as the outbreak spread in China, we turned more cautious and raised cash in all of our portfolios. Portfolios that were managed for short investment horizons went defensive as we added U.S. Treasuries and introduced the Japanese yen and gold bullion for additional downside protection. The equity-centric portfolios were optimized for the long term; we cut our equity position by 2-4% and added exposure to the U.S. dollar and yen to reduce short-term volatility.

Our underlying fund managers actively trimmed holdings that held up well through the drawdown, raising cash that was used to add to quality names that are trading at a discount to fair value for the first time in years. Such opportunities have been found in health care (drug development and medical supplies), consumer staples (grocery stores and other essential services), consumer discretionary (discount retail chains) and technology, which is benefiting from the increase in working remotely. On the other hand, our managers are reducing exposure to sectors like energy due to lower oil prices, financials, where lower interest rates could impair the earnings potential for some banks and asset managers, as well as travel and tourism.

Generally, stock markets fall dramatically for two reasons: 1) new capital has run dry following excessive speculation; and 2) natural disasters. In a recent whitepaper titled *Market Disruptions – Then and Now*, I highlighted three incidents in recent history to demonstrate how and why markets reacted as they did following this template, before outlining our expectation for the current COVID-19 pandemic.

ivari CI Portfolios are available as Guaranteed Investment Portfolios within select ivari segregated funds contracts and as Managed Portfolio Index Interest Options within select ivari Universal Life Products. Segregated Fund Net Returns below are for the imaxx Guaranteed Investment Funds product (imaxxGIF-75/100). Returns are after the management expense ratio (MER) has been deducted. The MER includes the management fee, the insurance cost for segregated fund guarantees, operating expenses and the applicable taxes of the fund. Policyholders do not pay for these expenses directly. The MER reduces the return of the investment. The Manager, at its discretion, may waive or absorb a portion of the operating expenses otherwise payable by a Fund class. These waivers may be terminated at any time by the Manager. MER and MER before waiver can be found in the ivari Segregated Fund Financial Statement under the section "Financial Highlights." For details please refer to the Information Folder and contract, and to www.ivari.ca for the returns on other products.

Segregated fund net total returns in % at March 31, 2020	1 year	3 years	5 years	10 years
ivari CI Conservative GIP	-5.0	-0.9	-0.1	3.4
ivari CI Canadian Balanced GIP	-7.1	-1.6	-0.7	3.0
ivari CI Balanced GIP	-8.3	-1.6	-0.3	3.8
ivari CI Growth GIP	-10.6	-2.3	-0.5	4.1
ivari CI Maximum Growth GIP	-14.2	-3.8	-1.3	3.8

Any amount that is allocated to a segregated fund is invested at the risk of the contract holder and may increase or decrease in value. Past results should not be construed as indicative of future performance. Actual fund performance is expected to vary.

Outlook and positioning

Short-term results remain unclear as they depend on consumer confidence and the evolution of the pandemic, something markets appear to have priced in. As long as the pandemic doesn't worsen, further downside should be limited. In the meantime, central banks and governments are doing whatever they can to avoid a deep recession. The fiscal and monetary policy actions announced over the past few weeks are significant. In our view, the monetary policy package (which includes unlimited quantitative easing) will:

- Unclog contagion in credit markets
- Support bond prices and potentially restore negative correlation between government bonds and stocks
- Increase inflationary pressures
- Lead to a weaker U.S. dollar as dollar supply increases.

Looking ahead, investors should focus on growth. Central banks are expanding their balances sheets (printing money) and interest rates are zero. Paper money will be worth less and investors need to invest in assets to protect their purchasing power. We are committed to investing investors' capital in a diversified basket of quality businesses. That is the only way to win.

We hope you and your family are keeping well and are taking comfort in knowing that your financial health is being managed by your financial advisor and our team. It can be challenging to go through a pandemic event of this severity but this one, like others, shall pass.

Source: CI Multi-Asset Management, Bloomberg Finance L.P. and CI Investments Inc. as at April 7, 2020.

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are various important differences that may exist between the segregated fund and the stated indices or investment fund, which may affect the performance of each. The objectives and strategies of the segregated fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indices or investment fund. Indices are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices.

Certain statements in this document are forward-looking. Forward-looking statements ("FLS") are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate," or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Investments Inc. and the portfolio manager believe to be reasonable assumptions, neither CI Investments Inc. nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

All indexes quoted in this document are reported on a total return basis, which assumes the reinvestment of all dividends and other cash distributions. Some indices referenced in the included portfolio commentary may not be components of the portfolio benchmarks.

Published May 14, 2020.