

# CI SELECT CANADIAN EQUITY FUND

## Q3-2022 Commentary



FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.
CI Select Canadian Equity Fund, Series F*	-9.8%	8.1%	5.6%	8.6%	8.6%
Benchmark: 50% MSCI ACWI Index/50% S&P/TSX Composite Index	-9.7%	5.9%	6.6%	9.2%	N/A

\* Inception date: August 8, 2000. Formerly Signature Select Canadian Fund, renamed effective July 29, 2021.

Source: CI Global Asset Management, as at September 30, 2022.

### PERFORMANCE SUMMARY

- Over the third quarter of 2022, CI Select Canadian Equity Fund, Series F (the Fund) returned -3.0% compared with its benchmark (50% MSCI ACWI Index/50% S&P/TSX Composite Index), which returned -1.1%.
- The Fund underperformed its benchmark primarily as a result of its hedging of the U.S. dollar as the currency strengthened over the period. Stock selection in the financials and energy sectors was a moderate detractor from the Fund's performance.

### CONTRIBUTORS TO PERFORMANCE

The Fund's position in Apple Inc. contributed to performance. The company's stock rebounded with the broader information technology sector. Excitement about the introduction of a new iPhone also contributed to expectations of growth in future earnings and cash flows.

Another contributor to the Fund's performance was Alimentation Couche-Tard Inc. The company reported strong performance following its quarterly results release, which showed that margins had held up well, particularly on gasoline sales. As well, the company's strong balance sheet allows for higher expected future earnings through acquisitions, buybacks and dividends.

### DETRACTORS FROM PERFORMANCE

A holding in Cenovus Energy Inc. detracted from the Fund's performance because of its sensitivity to oil prices as recession fears and U.S.-dollar strength caused benchmark crude oil prices to fall.

Another detractor from the Fund's performance was The Bank of Nova Scotia. Its third-quarter 2022 earnings and net interest margin results disappointed investors, and a CEO change produced some anxiety about the bank's strategic direction.

### PORTFOLIO ACTIVITY

We added a new position in Royal Bank of Canada to the Fund following a significant decline in the company's share price, which had fallen to attractive levels given that the shares have overly priced in fears of credit losses amid a slowing economy and housing market.

We sold the Fund's holding in NextEra Energy Inc. after its stock reached our target price. While the company's key renewable energy business is a strong one, the stock was driven above fundamentals by optimism around renewable subsidies embedded in the U.S. *Inflation Reduction Act*.

## **MARKET OVERVIEW**

With the rise in inflation and interest rates, central banks around the world are looking to slow economic activity to return inflation to their target of approximately 2% from generational highs. We believe a mild recession has been priced into most assets, particularly in Canada, and that the slowdown may be moderate. Within the Fund, we have increased exposure to Canada, where valuation is at a discount to international markets, and where we believe that fears of a housing and economic slowdown have largely been priced into the key financials sector.

Source: CI Global Asset Management

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The comparison presented is intended to illustrate the Mutual Fund's historical performance as compared with the historical performance of widely quoted market indexes or a weighted blend of widely quoted market indexes. There are various important differences that may exist between the Mutual Fund and the stated indexes that may affect the performance of each. The objectives and strategies of the Mutual Fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indexes. Indexes are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indexes.

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