

# CI SELECT CANADIAN EQUITY FUND

## Q4-2021 Commentary



FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.
CI Select Canadian Equity Fund, Series F*	27.7%	18.8%	11.2%	11.1%	9.7%
Benchmark: 50% MSCI ACWI Index/50% S&P/TSX Composite Index	21.3%	17.5%	11.6%	11.8%	N/A

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

Source: CI Global Asset Management, as at December 31, 2021.

### PERFORMANCE SUMMARY

- In the fourth quarter of 2021, CI Select Canadian Equity Fund, Series F (the Fund) returned 6.0% compared with its benchmark, the 50% MSCI ACWI Index, 50% S&P/TSX Composite Index, which returned 6.4%.
- The Fund slightly underperformed its benchmark primarily as a result of stock selection in the information technology sector. Selection within the industrials sector was another slight detractor from performance.

### CONTRIBUTORS TO PERFORMANCE

The Fund's position in Advanced Micro Devices Inc. contributed to performance. The company had a strong period, characterized by better-than-expected financial results and margin expansion. Its products have been shipping on schedule as the company has managed technology transitions and supply chain constraints well, with particular strength in data centres. The company recently announced a significant win with Meta Platforms Inc. as the newest customer to adopt its high-performance central processing units. The new offerings from the company continue to do well both in a cloud-computing and enterprise context.

Another contributor to the Fund's performance was The Bank of Nova Scotia. The bank's valuation discount to its domestic peers narrowed as market pessimism concerning its Latin American businesses declined. The region has suffered from politics and the COVID-19 pandemic, but the company's businesses should support attractive growth and profitability in the medium term.

### DETRACTORS FROM PERFORMANCE

Holdings in Lightspeed Commerce Inc. and Nuvei Corp. detracted from the Fund's performance as both companies saw their share prices decline after being impacted by hedge fund reports seeking to undermine their credibility by engaging in sensational commentary. The companies vigorously defended themselves, but there was irreparable damage to their equity values in 2021. We believe that both companies have attractive long-term prospects, and 2022 provides an opportunity to vindicate themselves.

### PORTFOLIO ACTIVITY

During the quarter, we added a new Fund position in Unity Software Inc., whose core product is a multi-platform 3D game creation engine that developers can use to create product that is supported across a wide span of game platforms. This business looks attractive as its platform has a base of nearly half of all mobile games and a more dominant share of virtual reality content. In addition to content creation, the company provides middleware that improves advertising monetization of these games.

Late in the period, we sold the Fund's holding in Loblaw Companies Ltd. The company had been a beneficiary of pandemic lockdowns and optimism around its health and pharmacy business, and good progress in its efforts to improve distribution. However, the valuation of the company had already priced in these factors with valuation measures significantly in excess of historic ranges.

## **MARKET OVERVIEW**

The Canadian equity market looks reasonably well positioned within a global context and on a valuation basis. With an expectation for reasonable but slowing global growth, in a rising interest rate environment, where inflation is higher than in recent periods and COVID-19's potency recedes, we believe Canada's economic trajectory, market composition and valuation allow for reasonable stock market returns.

For global equities, we expect 2022 to be a good year, supported by earnings growth, but there will be some challenges on valuations from expected interest rate increases. In the United States, with both gross domestic product growth and inflation above trend, we expect a favourable backdrop for earnings, which are driven by nominal rather than real growth. Along with an expected modest return for equities, we also expect a bumpier ride as shifting monetary policy impacts market liquidity. It should be a year for cautious optimism and tactical opportunities in 2022, and we believe that global equities, like the Canadian market, can provide a positive return over the year.

Source: CI Global Asset Management

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