

CI NORTH AMERICAN SMALL/MID CAP EQUITY FUND

Q3-2024 Commentary



FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.
CI North American Small/Mid Cap Equity Income Fund, Series F*	31.0%	4.8%	9.3%	7.7%	11.4%
Benchmark: 70% S&P/TSX Completion Total Return Index, 30% S&P MidCap 400 Total Return Index	26.5%	9.3%	11.0%	8.4%	7.9%

* Inception date: July 28, 2005. Formerly CI Canadian Small/Mid Cap Equity Income Fund, renamed effective June 21, 2024.
Source: CI Global Asset Management, as at September 30, 2024.

PERFORMANCE SUMMARY

- Over the third quarter of 2024, CI North American Small/Mid Cap Equity Fund, Series F (the Fund) returned 7.4% compared with its benchmark (70% S&P/TSX Completion Total Return Index, 30% S&P MidCap 400 Total Return Index), which returned 7.3%.
- The Fund outperformed its benchmark largely as a result of security selection in the information technology and communication services sectors.

CONTRIBUTORS TO PERFORMANCE

A holding in Colliers International Group Inc. contributed to the Fund's performance. The company's stock outperformed as a result of improved investor sentiment that lower interest rates will stimulate transaction activity for the purchase and leasing of commercial properties, including office and retail, which have experienced recent pressure. We remain shareholders of the company because Colliers International Group is well-positioned to gain share when commercial real estate activity recovers and to accelerate growth through strategic mergers and acquisitions.

Another notable contributor to the Fund's performance was a holding in Live Nation Entertainment Inc. as consumers continued to prioritize spending on in-person events. Live Nation Entertainment also expanded advertising partnerships and its presence internationally. We believe the company is best positioned to capture share as the market leader with the widest breadth of services across the live event value chain.

DETRACTORS FROM PERFORMANCE

A holding in Boyd Group Services Inc. detracted from the Fund's performance. The company's stock underperformed amid unfavourable weather and rising total loss rates in response to lower used vehicle prices. We believe these issues are temporary and that Boyd Group Services has an attractive runway to consolidate the part of its industry that remains fragmented.

A holding in Pollard Banknote Ltd. also detracted from the Fund's performance. The company's stock underperformed because the company did not win an extension with the Michigan iLottery, which expires in 2026. This sparked concerns about the company's ability to win future lottery bids. However, we remain invested in the company because Pollard Banknote has a leading position in Canada and recently won the bidding for the Kansas iLottery contract.

PORTFOLIO ACTIVITY

We added to the Fund a new position in Core & Main Inc., a wholesale distributor of waterworks, storm drainage and fire protection products to construction contractors. We added the position because U.S. water infrastructure is outdated and in dire need of repair, maintenance and upgrade. Moreover, Core & Main has a successful track record of acquiring smaller competitors.

A holding in Stella-Jones Inc. was eliminated from the Fund because we are concerned that spot prices for the company's products will decline considerably in response to an increase in industry capacity.

MARKET OVERVIEW

We expect inflation will further moderate but remain at an elevated level, and thus we favour businesses that have sustainable competitive advantages that allow them to exercise pricing power. We expect that lower inflation will lead central banks to ease monetary policy and cut interest rates. This should benefit the valuation of companies that operate in cyclical industries. We are more cautious towards companies that sell discretionary goods because consumers remain pressured by inflation. However, we also believe that consumers will prioritize spending on services and experiences.

We expect stimulus spending under the U.S. *Infrastructure Investment and Jobs Act*, *Inflation Reduction Act* and *CHIPS and Science Act* should partially offset slower economic activity in the private sector related to higher interest rates. Adoption of artificial intelligence should continue to increase, driving demand for semiconductor chips and data centre capacity. We are also invested in companies exposed to higher military and defence spending in response to recent conflicts across the world. These conflicts will likely increase volatility in oil prices, and as such, we remain selective within the energy sector.

The Fund holds companies that we believe can endure any economic environment and businesses with short-term challenges that are trading at prices well below our estimate of their intrinsic value. We continue to place an emphasis on balance sheet resilience and liquidity, which enables businesses to continue investing through an economic downturn and ultimately emerge stronger when economic conditions recover.

Source: CI Global Asset Management

For more information, please visit [ci.com](https://www.ci.com).

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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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