CI EMERGING MARKETS FUND

Q1-2025 Commentary

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.
CI Emerging Markets Fund, Series F*	9.2%	5.1%	9.3%	5.4%	5.7%
Benchmark: MSCI Emerging Markets Total Return Index (C$)	15.6%	6.8%	8.6%	5.5%	6.7%

* Inception date: August 8, 2000. Formerly Signature Emerging Markets Fund, renamed effective July 29, 2021.
Source: CI Global Asset Management, as at March 31, 2025.

PERFORMANCE SUMMARY

- Over the first quarter of 2025, CI Emerging Markets Fund, Series F (the Fund) returned 2.1% compared with its benchmark, the MSCI Emerging Markets Total Return Index (C$), which returned 2.9% over the same period.
- The Fund underperformed its benchmark partly as a result of stock selection, particularly in the financials, materials and industrials sectors.
- An underweight allocation to the communication services detracted from the Fund's performance, as did an underweight exposure to China.
- On the positive side, stock selection in the energy and communication services sectors help these sectors to outperform the benchmark and added to performance. An underweight exposure to Taiwan also contributed to the Fund's performance

CONTRIBUTORS TO PERFORMANCE

The rise of policy uncertainty and increased worries about U.S. trade tariffs during the first few months after U.S. President Donald Trump took office saw a shift in investor sentiment and a weakening of the U.S. dollar. This, together with gold buying by central banks, pushed gold prices higher. The Fund's holding in gold miner Kinross Gold Corp. contributed to performance as the company benefited from rising gold prices.

Another notable contributor to the Fund's performance was a holding in MercadoLibre Inc. The company's stock outperformed due to significantly better-than-expected earnings per share growth, fuelled by gross merchandise value growth of 32% in Brazil and 28% in Mexico. Despite the higher inflationary environment in Brazil, average sales prices outpaced inflation, underscoring the company's strong pricing power, bolstered by its robust ecommerce ecosystem. MercadoLibre's investment in logistics is also paying off.

DETRACTORS FROM PERFORMANCE

A Fund position in PT Bank Mandiri (Persero) TBK detracted from performance. The company's stock price was under pressure for most of the quarter due to tight liquidity in the system that led to higher funding costs and squeezed net interest margin. Political uncertainty in Indonesia and potential government cabinet reshuffles, as well as potential changes in PT Bank Mandiri's board further weighed on sentiment. Asset quality concerns also emerged during the quarter.

Other notable detractors from the Fund's performance were holdings in Swiggy Ltd. and Zomato Ltd., two dominant food delivery platforms in India. Both were affected by increased competition among incumbents and elevated risk of disruption from new players on the quick commerce side. Rise in competition has led to higher discounting and promotion, and hence, higher losses in the segment.

PORTFOLIO ACTIVITY

We added a new Fund position in Pop Mart International Group Ltd., the largest pop toy company in China. The company's strong intellectual property should benefit from strong business momentum in various global markets, including North America, Europe and Southeast Asia. The low ticket size makes it very affordable in a downward-trending consumption environment.

We added a new Fund position in China International Capital Corp. Ltd., which operates as an international investment bank in mainland China and Hong Kong. The company should benefit from the recovery in equity market activity in both areas, increased activity in the initial public offering market in China and its focus on cost control.

We eliminated the Fund's position in PT Bank Mandiri a week ahead of the company's most recent board meeting.

We also eliminated the Fund's position in CP All PLC after Seven & I Holdings Co. Ltd. sought a capital injection from the CP Group. This proposal weighed on CP All's share price as it will most likely participate, which would affect 2025 earnings.

MARKET OVERVIEW

China experienced what now can be called its own artificial intelligence (AI) moment in January 2025 when DeepSeek released its AI open-source large language model, sending shockwaves through the broader AI industry given its capabilities and cost efficiencies. Investors took note. For those following China closely, the DeepSeek moment was a matter of "when" not "if" given the significant policy and investment support to fast-track AI development in China, not dissimilar from the policy support for Chinese electric vehicle and battery makers a few years ago. Both Alibaba Group Holding Ltd. and Tencent Holdings Ltd. are developing their own AI large language models. While the DeepSeek moment triggered renewed interest in Chinese equities, there are signs that the Chinese economy is bottoming after almost three years of slowing growth, further adding to the impulse to buy Chinese equities.

On the other side of the world, the U.S. equity market is struggling with high valuations, disruptive trade policies and concerns about the health of the U.S. economy, which has forced investors to look for alternative investment destinations. Europe and emerging markets became obvious destinations with both equity markets screening well on valuation and positioning.

Emerging market outperformance could continue. Even after the recent rebound, emerging market valuations remain reasonable although further upside will likely need earnings support. Chinese equities are expected to have further gains during the second half of 2025 as the Chinese economy normalizes and consumer spending improves. Another positive factor is the expected decline in extreme tariff uncertainties as countries enter into more constructive negotiations following the release of the findings of tariff investigations by various U.S. departments. India's economy is also bottoming, and earnings upgrades could see investors taking another look at the second-biggest investment destination for emerging market investors. Lower or stable U.S. inflation and interest rates and, most likely, a weakening U.S. dollar also bode well for emerging market equity outperformance.

Source: CI Global Asset Management

GLOSSARY OF TERMS

Liquidity: The degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price. Cash is considered to be the most liquid asset, while things like fine art or rare books would be relatively illiquid.

For more information, please visit ci.com.

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