CI INTERNATIONAL VALUE FUND

Q1-2025 Commentary

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.
CI International Value Fund, Series F*	13.9%	11.3%	11.3%	6.8%	5.8%
Benchmark: MSCI EAFE Total Return Index (C$)	11.6%	11.2%	12.0%	6.8%	5.6%

* Inception date: December 18, 2001.
Source: Altrinsic Global Advisors, LLC, as at March 31, 2025.

PERFORMANCE SUMMARY

- Over the first quarter of 2025, CI International Value Fund, Series F (the Fund), returned 8.5% compared to its benchmark (MSCI EAFE Total Return Index (C$)), which returned 6.9%.
- The Fund outperformed its benchmark, the MSCI EAFE Total Return Index (C$), largely owing to its positions in the information technology, consumer discretionary, and health care sectors.
- In the information technology sector, the Fund benefited from the strong performance of Check Point Software Technologies Ltd., which enjoyed a sharp rebound in demand for its cybersecurity products, likely aided by the increasingly uncertain information technology and political environments globally. The Fund's underweight exposure to highly valued companies in the artificial intelligence (AI) space also contributed to its performance.
- In the consumer discretionary sector, Chinese e-commerce leader Alibaba Group Holding Ltd. rallied as the market priced in the company's ability to capture structural AI opportunities given its leadership in cloud. Japanese conglomerate Sony Group Corp. reported positive results, particularly in the gaming segment, which improved sentiment for future profit growth.
- In the health care sector, medical device manufacturer Medtronic PLC performed well, supported by progress on securing Medicare reimbursement in the U.S. for its new renal denervation product, which has significant growth potential. Global pharmaceuticals companies Sanofi SA and GSK PLC rebounded from deep valuation discounts, owing to solid execution across existing portfolios, continued pipeline advancements, and more disciplined capital allocation.

CONTRIBUTORS TO PERFORMANCE

China-based Alibaba Group Holding benefited from improvements in its core e-commerce business, better-than-expected progress on AI model development, an improving macroeconomic backdrop, and a better domestic political environment. In the near term, we expect to see continued improvement in the company's e-commerce business, which should benefit from newly introduced marketing tools as well as further progress in AI.

The European exchange Deutsche Börse AG continued to produce strong free cash flow growth and benefited from rising activity across most of its exchange platforms. The combination of increased German government fiscal spending, rising European investment demand, and increased volatility provided strong support for profits.

DETRACTORS FROM PERFORMANCE

Shares of casino owner and operator Sands China Ltd. fell amid concerns that Macau's gaming market had underperformed year-to-date expectations for growth. After the completion of large-scale renovations at one of its properties, we expect Sands China's market share recovery to eliminate some growth concerns over the coming quarters.

Diageo PLC was weak, as spirits companies have been pressured. Per capita alcohol consumption grew for almost three decades, but the COVID-19-related drinking surge and price increases to offset input costs have temporarily slowed this trend. We expect growth to resume as Gen Z consumers mature into their peak drinking years.

PORTFOLIO ACTIVITY

One of the positions we added to the Fund was Murata Manufacturing Co. Ltd., a vertically integrated leading manufacturer of multi-layer ceramic capacitors (MLCCs). The company has significant technology and scale advantages, and it is well-positioned to benefit from structural demand growth for smaller, faster, and more reliable MLCCs in the smartphone, automobile, and information technology markets. Many of Murata Manufacturing's end markets have been slow following the COVID-19 boom, but the company should benefit from structural growth factors and a cyclical rebound in demand.

One of the holdings eliminated during the quarter was Brazilian retailer Lojas Renner, as higher interest rates and a turbulent macroeconomic backdrop seemed likely to discourage discretionary consumption. Shares were sold in favor of higher-quality and more defensive positions in Brazilian companies.

MARKET OVERVIEW

U.S. President Donald Trump's tariff policies and escalating trade tensions are prominent and immediate sources of significant uncertainty. As a result, many companies have halted major investment plans, mergers and acquisitions activities, and other strategic initiatives.

Increased tariffs typically result in slowing activity, a one-off increase in prices, and currency adjustments. A reasonable base case scenario is a further slowdown in sales prospects, margin compression, and lower earnings. Declining profit margins are most underappreciated following a long period of declining labour costs, efficient global supply chains, supportive tax regimes and confident consumers willing to pay high prices. Profit margin risk is present in many stocks across industries, particularly in cyclical sectors where current operating margins are at or near historic peaks.

We were already concerned about valuations, margins, and corporate earnings expectations prior to the tariff issues, particularly in the information technology sector and traditionally cyclical sectors, including the industrials and materials sectors. The Fund has a relatively low exposure to these areas, as we instead favour companies that have modest but durable growth prospects or more idiosyncratic risks. Given severe share price movements, we are opportunistically purchasing companies that might see cyclical weakness caused by tariffs but that are not likely to have their business models meaningfully upended. We remain disciplined in evaluating fundamentals versus price paid.

Sources: Altrinsic Global Advisors, LLC and FactSet Research Systems Inc.

For more information, please visit ci.com.

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