CI SELECT GLOBAL EQUITY FUND

Q4-2024 Commentary

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.
CI Select Global Equity Fund, Series F*	23.0%	6.6%	11.7%	10.2%	4.4%
Benchmark: MSCI All Country World Total Return Index	28.7%	10.6%	12.9%	12.2%	6.4%

* Inception date: August 8, 2020. Formerly Signature Global Equity Fund, renamed effective July 29, 2021.
Source: CI Global Asset Management, as at December 31, 2024.

PERFORMANCE SUMMARY

- During the fourth quarter of 2024, CI Select Global Equity Fund, Series F (the Fund) returned 3.7% compared with its benchmark, the MSCI All Country World Total Return Index, at 5.5%.
- Underperformance was primarily due to stock selection, especially in the utility, health care and consumer discretionary sectors.
- Currency hedging also detracted from performance as the Canadian dollar depreciated by 6% against the U.S. dollar during the quarter.
- Stock selection in Japan contributed, with Japan being the largest single country contributor.

CONTRIBUTORS TO PERFORMANCE

U.S. management software company ServiceNow Inc. was a strong contributor as investors rotated back into software companies following a pause in the artificial intelligence (AI)-driven rally in hardware in the fourth quarter.

Rakuten Bank Ltd. also contributed, with Internet banks taking market share from traditional banks due to a lower cost base, lower interest rates charged and higher deposit rates offered. The company also has the advantage of accessing Rakuten Group customers across multiple retail segments, including mobile, e-commence, insurance and securities.

DETRACTORS FROM PERFORMANCE

Not owning Tesla Inc. was key detractor as Tesla's stock rallied more than 50%m largely based on Elon Musk's working relationship with president-elect Donald Trump. We remained on the sidelines during this sentiment-induced rally given our fundamental approach to investments, the fact that Telsa traded well through our fair value target, and that we are tactically wary of the electrical vehicle sector.

Applied Energy Services Inc., one of the utilities with the greatest exposure to renewable energy, especially solar, also suffered as support for renewables development is expected to decline under a Trump administration. Higher tariff risks are also increasing the prospect of stickier inflation and therefore delayed interest rate cuts, adversely affecting companies with higher debt levels.

PORTFOLIO ACTIVITY

We added CrowdStrike Holdings Inc., a cloud-based cybersecurity software company specializing in endpoint security. CrowdStrike is a leader in an underpenetrated market with secular growth drivers. Its highly scalable platform should improve market share as clients move from best-of-breed to best-of-platforms.

We also took a position in Fujikura Ltd., an electric wire producer that manufactures optical communications equipment such as optical connectors, optical cable and fusion splicers, and components for PCs. We like its exposure to the growing demand for AI servers in data centers, which is expected to increase Fujikura's optical multi-core connector volume growth. Increasing global demand for green energy construction should also drive demand for the company's high-voltage cables in the power segment.

We have exited Richemont SA, as the luxury goods subsector remains under pressure with a near-term cyclical turnaround unlikely. We have also further reduced our technology hardware exposure, selling out of Advanced Micro Devices Inc., in favour of greater software-related exposure.

MARKET OVERVIEW

A renewed focus on deregulation and the strong possibility of extending 2017 U.S. tax cuts fueled an already expensive market to new highs late in the year. Though the U.S. equity market fizzled during the final days of 2024, the market still closed the year up 25%. Stretched positioning, which points to an investor base willing to aggressively price in the benefits of the Trump administration, together with high valuations, pose a challenge to the pace of the rally. We continue to see positive returns in 2025, but much more muted than 2024 and with increased volatility.

Macroeconomic challenges and risks to the equity market remain, including concerns that the U.S. fiscal situation could keep yields higher for longer. Even if the new Department of Government Efficiency (DOGE) cuts costs aggressively, higher interest rate payments could easily overwhelm these savings. Slower economic growth and higher inflation may occur as expected tighter immigration policies and higher tariffs are implemented, with the positive developments only materializing at a later stage.

Active stock selection and the ability to adjust styles and factors will be critical in 2025 given the decoupling of business cycles across countries and subsequent divergence in policy responses, ongoing geopolitical and political risks, the timing and implementation of disruptive Trump policies, investment themes reaching maturity and the state of the Chinese economy. Geographically, we still favour U.S. equities, remaining overweight financials (anticipating increased deregulation) and respecting the current dominant AI theme. We remain cautious on discretionary spending with U.S. consumer spending expected to slow. Outside the U.S., we favour Japan over Europe, not only due to healthier economic growth and inflationary trends but also because of superior earnings trends and governance, and capital structure reforms.

Source: CI Global Asset Management

For more information, please visit ci.com.

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