"2010 will be a battle in markets between economic recovery and the consequences of the [credit] crisis. We're positioning our portfolios based on the former being more powerful in the near term." – Eric Bushell

Costs, Consequences, and Opportunity

April 2010

"Phew, it worked," exclaimed Eric Bushell, Chief Investment Officer of Signature Global Advisors and Morningstar's Equity Fund Manager of the Year in 2009. Signature Global Advisors is a Toronto-based investment manager with over $24 billion in assets under management. Mr. Bushell's comments refer to the powerful cocktail of coordinated government intervention that was designed to save the world from an uncontrolled deflationary spiral in late 2008 and early 2009. While Bushell and his team of award-winning investment professionals are convinced that the worst of the financial crisis is behind us, they are equally sure that we now face consequences whose wide-ranging implications will shape security selection and asset allocation for years to come. Below, Mr. Bushell and Signature share their views on what has transpired over the last year and a half, as well as their thoughts and positioning going forward.

The Costs

Signature praises the key government officials who orchestrated tactical government interventions, including U.S. Federal Reserve Chairman, Ben Bernanke, whom Bushell describes as doing a "tremendous job." They see foreign governments' decisions to socialize bank losses as necessary, and they applaud their efforts to force arranged marriages between weak institutions and extend blanket guarantees in order to stabilize the system. Signature equally supported government decisions to take interest rates to zero and to engage in quantitative easing; this easing expanded their balance sheets and introduced a wide range of spending measures intended to stimulate the world economy by replacing the temporary drop in private-sector consumption. While Signature does not think that these measures went too far, they also feel that we cannot do it again.

The Consequences

Signature expects the consequences will take three forms: financial reform, an adjustment to the public service model, and a gradual withdrawal of monetary stimulus. They argue that we are already beginning to see the early stages of financial institution reform, and barring some sort of irrational popular backlash, they expect moderate improvements that will strengthen the global financial systems. Fiscal adjustments are beginning to take hold, with the most obvious example being in Greece, which has become the poster child for government spending gone wrong. However, in recent weeks we would need to look no further than Canada to see a series of austerity budgets in Ontario, Quebec, and Ottawa. In the long run, Signature expects to see a reduction in the size of government and increased taxes. Lastly, Signature sees a variety of stimulus measures being withdrawn. These include higher bank capital requirements in China (which are designed to reduce stimulative lending and cool an overheated property market) and the withdrawal of a range of emergency stimulus measures in developed markets.

The Signature team believes these consequences will ultimately be constructive for the economy and capital markets; they also anticipate that such consequences will emerge incrementally, giving the private sector time to adjust.

The Opportunity

In late winter 2010, as the world watched with great anticipation to see if Greece would be overcome by crushing debt levels and skyrocketing borrowing costs, Signature saw the development as ultimately constructive. For one thing, on a reasonably small and manageable basis, it demonstrated clearly to foreign governments the consequences of prolonged fiscal mismanagement. It also put significant pressure on the Euro currency, and increased demand for U.S.-dollar-denominated assets, which should keep borrowing costs down for the U.S. government and nurture the nascent recovery. Going forward, the Signature team expects that moderately low interest rates, coupled with modest global economic growth, will translate into a broadly constructive market for equity investors. While their view is generally positive, they also recognize that the economic recovery is built on a far less stable base than has been the case in previous cycles.

Based on this outlook, their award-winning balanced strategies remain overweight in equities—but with a more defensive orientation—and underweight in government bonds. After being fully invested for much of the past year, they recently raised their cash position to about 10%. With the Canadian dollar trading close to par, their level of foreign holdings remains high (at close to 45% of the equity component) and they have a bias toward U.S. equities. Signature sees good value in high-quality U.S. banks and pharmaceutical stocks and carries an overweight in technology names that should benefit as companies begin to spend on high-return investments to boost productivity. The team also likes select telecom companies and maintains a bias towards established companies with strong, proven cash flows and attractive dividend yields. The Signature team is underweight utility stocks, arguing that the stubbornly high level of unemployment will make it difficult to increase rates as a means to maintain their operating margins.

CI Signature Canadian Balanced

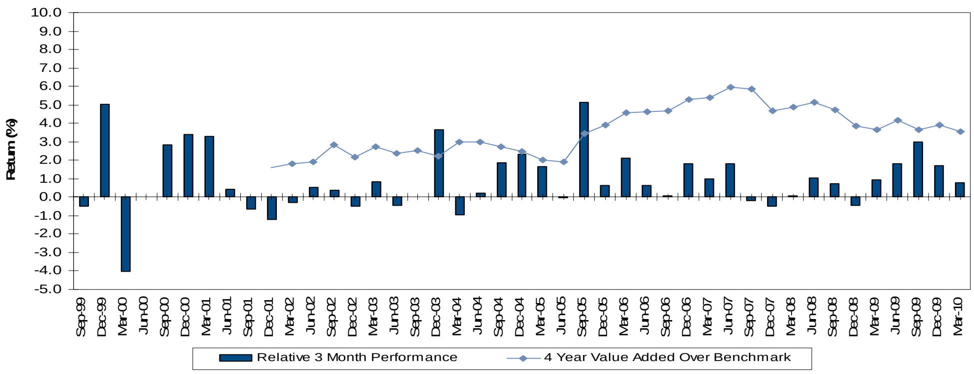
April 2010

The CI Signature Canadian Balanced strategy enjoyed another strong quarter, generating 80 basis points of outperformance, and capping off an extraordinarily strong 12 month period for the product, which generated 860 basis points of value add over its benchmark.

CI Signature Canadian Balanced Performance							
	Trailing Periods						
As of March 31, 2010 (CAD$)	3 Month	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
Gross Return	2.3	2.3	28.9	4	9.4	12.2	8.0
Benchmark	1.5	1.5	20.3	0.5	4.9	7.6	3.9
Excess Returns	0.8	0.8	8.6	3.5	4.5	4.6	4.1

Absolute and relative returns aside, the distribution of both quarterly and rolling four year alpha is equally impressive, and a model for outperformance. As illustrated in Figure 1, The CI Signature Canadian Balanced strategy has outperformed its benchmark 32 of the last 43 calendar quarters, dating back to September 1999. When we extend our analysis to rolling four year periods, the product has beaten its benchmark over every single calendar quarter end since inception.

Figure 1



Not surprisingly, the CI Signature Canadian Balanced strategy is one of top ranked products in Canada and is attracting a high level of interest from pension plans, endowments and foundations.

Quarterly Attribution

Outperformance for the past quarter can be attributed to the team's equity overweight, strong security selection within the financial services and information technology sectors, as well as a positive effect from hedging. The fixed income component benefited from an overweight to investment grade credit and strong security selection.

Positioning

As we enter the second year of this economic recovery, the Signature Global Advisors investment team is increasing their defensive posture, with a further reduction to their equity overweight and a bias towards less cyclical companies. Within the fixed income component, the manager is decreasing their allocation to investment grade credit and has shortened duration across government bonds.

CI Institutional Asset Management Performance Summary

CI INSTITUTIONAL ASSET MANAGEMENT

Summary as of
March 31, 2010

GROSS RETURNS (%)

	1 mos	3 mos	6 mos	1 year	2 year	3 year	4 year	5 year	6 year	7 year	8 year	9 year	10 year
BALANCED STRATEGY													
CI Signature Canadian Balanced	**3.05**	**2.33**	**5.78**	**28.86**	**5.36**	**4.02**	**6.25**	**9.38**	**10.05**	**12.19**	**9.36**	**8.49**	**7.97**
45% Dex Universe, 30% S&P/TSX, 12.5% S&P 500, 12.5% S&P EPAC PMI	1.37	1.54	3.21	20.29	0.62	0.50	2.68	4.86	5.21	7.64	5.29	5.09	3.89
CANADIAN EQUITY STRATEGY													
CI KBSH Canadian Growth Equity	**4.62**	**3.43**	**6.40**	**39.68**	**-4.87**	**-2.91**	**0.15**	**5.57**	**7.28**	**10.36**	**6.02**	**5.71**	**3.56**
S&P/TSX Composite	3.81	3.14	7.12	42.15	-1.99	-0.03	2.72	7.41	8.47	12.24	7.98	7.63	4.67
CI Signature Canadian Equity Plus	**4.28**	**2.25**	**6.55**	**37.61**	**2.46**	**1.17**	**5.01**	**9.75**	**11.05**	**13.97**	**9.96**	**10.82**	**12.28**
55% S&P/TSX & 45% S&P Global PMI	3.07	1.84	5.03	35.35	-3.27	-3.09	0.70	4.76	5.40	9.10	4.43	4.14	1.68
CI Signature Dividend	**2.77**	**3.70**	**6.75**	**42.19**	**5.61**	**1.36**	**3.41**	**5.74**	**6.66**	**8.34**	**6.82**	**6.88**	**8.84**
60% TSX & 40% BMO 50 Preferred	2.02	2.10	5.48	35.91	0.94	0.51	2.47	5.55	6.13	8.83	6.39	6.09	4.71
FIXED INCOME STRATEGY													
CI KBSH Canadian Bond	**-0.57**	**1.50**	**1.62**	**11.81**	**5.65**	**5.25**	**5.41**	**5.16**	**5.07**	**5.90**	**6.26**	**6.26**	**6.51**
DEX Universe	-0.73	1.26	1.09	5.13	5.03	5.28	5.33	5.23	5.20	5.98	6.37	6.23	6.47
CI Signature Corporate Bond	**1.29**	**3.20**	**6.76**	**23.93**	**8.76**	**6.17**	**6.58**	**6.57**	**6.34**	**7.11**	**N/A**	**N/A**	**N/A**
**** Benchmark (see below)*	-0.37	1.73	4.36	18.46	9.29	5.52	5.87	5.58	5.22	6.14	5.99	5.91	6.24
CI Signature Canadian Bond	**-0.16**	**2.11**	**2.80**	**7.87**	**5.12**	**5.34**	**5.42**	**5.43**	**5.26**	**5.82**	**6.25**	**6.13**	**6.39**
DEX Universe + Maple Overall	-0.71	1.29	1.18	5.44	4.90	5.10	5.19	5.12	5.11	5.90	6.30	6.16	6.42
CI Signature Short Term Bond	**-0.65**	**0.31**	**0.72**	**1.92**	**3.56**	**4.35**	**4.44**	**4.09**	**3.83**	**4.36**	**4.67**	**4.82**	**5.28**
DEX Short Term	-0.85	0.45	0.89	3.25	5.06	5.50	5.27	4.66	4.37	4.92	5.18	5.24	5.61
FOREIGN EQUITY STRATEGY (Cdn$ Returns)													
CI Signature Global Equity	**4.27**	**1.83**	**6.44**	**40.58**	**3.62**	**-3.07**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
S&P Global PMI	2.17	0.18	2.39	26.81	-5.37	-7.25	-2.18	1.17	1.34	4.99	-0.12	-0.32	-2.21
U.S. EQUITY STRATEGY (Cdn$ Returns)													
CI KBSH U.S. Growth Equity	**2.38**	**1.04**	**5.70**	**18.46**	**-0.66**	**-6.83**	**-2.91**	**-0.15**	**-1.03**	**1.99**	**-3.17**	**-4.00**	**-3.58**
S&P 500	2.33	1.80	5.99	20.64	-4.22	-8.15	-3.79	-1.59	-1.62	1.30	-3.38	-2.85	-4.16
INCOME STRATEGY													
CI Signature Income & Growth	**3.00**	**2.46**	**6.64**	**35.41**	**4.58**	**3.02**	**5.09**	**8.23**	**9.10**	**11.56**	**9.21**	**N/A**	**N/A**
20% ML US High & 25% S&P Global PMI & 20% DEX Corp & 35% S&P/TSX	1.73	1.95	4.99	29.92	2.24	0.25	2.84	5.22	5.38	7.94	4.99	4.77	3.49
CI Signature High Income	**1.90**	**3.30**	**9.59**	**37.90**	**4.63**	**2.57**	**3.53**	**6.52**	**8.54**	**11.33**	**10.64**	**11.37**	**13.23**
40% ML HY Master II + 10% DEX Corporate + 40% S&P/TSX + 10% S&P Global	1.54	2.14	5.82	32.10	4.47	1.25	3.57	5.68	5.69	7.94	5.31	5.08	4.10

**** Benchmark: Prior to September 30, 2009: 75% DEX Universe Corporate Bond / 25% Merrill Lynch US High Yield Master II (C$)*
October 1, 2009 to Current: 50% DEX Universe Corporate Bond / 50% Merrill Lynch US High Yield Master II (C$)

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