THE RATIONALE FOR ACTIVE CURRENCY MANAGEMENT

CIBC Active Global Currency Pool is designed for institutional investors seeking an absolute return strategy within a targeted level of risk, through exposure to a diversified basket of global currencies using active management.

Our active currency strategy is managed by a team of nine seasoned investment professionals, including two currency traders. The pool utilizes a unique investment approach to deliver uncorrelated, risk-adjusted alpha.

This overview includes important information for institutional investor discussions around the rationale for active currency management and CIBC Asset Management's (CIBC AM) strength in this asset class.

WHAT ARE THE RETURN TARGET AND CONSTRAINTS OF CIBC ACTIVE GLOBAL CURRENCY POOL?

PERFORMANCE OBJECTIVE	BENCHMARK
T-Bills + 600 bps over 3-year rolling periods before fees	91-Day Canadian T-Bills

CONSTRAINTS

GUIDELINE	RANGE
Cash & Equivalents	0 - 100%
Canadian Dollar	0 - 200%
Other Currencies	-100 to 100% for each currency
Maximum Aggregate Long Positions	4x the pool's total market value
Maximum Term of Contracts	1 year
Target Risk Budget	10% to 12%
Minimum Account Size	$5 million

WHERE DOES A CURRENCY STRATEGY FIT IN AN INSTITUTIONAL INVESTOR'S PORTFOLIO?

An active currency strategy is an alternative strategy that fits within the return-seeking portion of an institutional portfolio. Adding a currency strategy may offer diversification benefits and help to better manage the overall risk of an institutional portfolio invested in traditional assets.

Unlike many existing alternative strategies focused on illiquid beta exposure, CIBC Active Global Currency Pool offers a highly liquid alpha strategy.

WHAT ROLE DOES A LIQUID ABSOLUTE RETURN STRATEGY, LIKE THE POOL, PLAY IN AN INVESTOR'S ALTERNATIVES ALLOCATION?

An active currency strategy provides an uncorrelated source of alpha through exposure to a liquid alternative asset class, improving a plan's overall alpha diversity.

CIBC AM's active currency strategy has had a historically low correlation to traditional asset classes and alternative fund strategies. As such, we believe an active currency strategy adds a diversified source of alpha and improves the overall risk/return profile of the return-seeking portion of a portfolio. As illustrated below, our active currency strategy has had low correlation (less than 0.4) to several asset classes over the past 10 years. In particular, it has had negative correlation with Canadian and U.S. bonds and hedge funds. Our strategy has also shown modest positive correlation of approximately 0.3 to equity markets.

Evidently, a currency strategy adds diversification opportunities in an institutional investor's portfolio.

CORRELATIONS TO OTHER ASSET CLASSES OVER THE PAST 10 YEARS

	CANADIAN EQUITIES	CANADIAN BONDS	GLOBAL EQUITIES	EM EQUITIES	U.S. BONDS	HEDGE FUNDS	INFRA-STRUCTURE	REAL ESTATE	EAFE EQUITIES	CIBC ACTIVE CURRENCY
Canadian Equities	1.0	-0.1	0.6	0.7	-0.6	-0.2	0.5	0.5	0.6	**0.3**
Canadian Bonds	-0.1	1.0	0.2	0.2	0.3	0.3	0.4	0.3	0.2	**-0.1**
Global Equities	0.6	0.2	1.0	0.7	-0.1	0.4	0.8	0.8	1.0	**0.3**
EM Equities	0.7	0.2	0.7	1.0	-0.4	0.0	0.7	0.6	0.7	**0.4**
U.S. Bonds	-0.6	0.3	-0.1	-0.4	1.0	0.8	-0.1	-0.2	-0.2	**-0.3**
Hedge Funds	-0.2	0.3	0.4	0.0	0.8	1.0	0.3	0.2	0.3	**-0.1**
Infra-structure	0.5	0.4	0.8	0.7	-0.1	0.3	1.0	0.8	0.9	**0.2**
Real Estate	0.5	0.3	0.8	0.6	-0.2	0.2	0.8	1.0	0.8	**0.2**
EAFE Equities	0.6	0.2	1.0	0.7	-0.2	0.3	0.9	0.8	1.0	**0.3**

Weakest Strongest

As at March 31, 2017. Correlation matrix equally weighted. Sources: Thomson Reuters Datastream, CIBC Asset Management Inc.

Canadian Equities: S&P TSX Index, Canadian Bonds: FTSE TMX Canada Universe Bond Index, Global Equities: MSCI World Index, Emerging Markets: MSCI Emerging Markets Index, Commodities: Bloomberg Commodity Index, Hedge Funds: HFRI, Infrastructure: S&P Global Infrastructure Index, Real Estate: REIT Index, EAFE Equities: MSCI EAFE Index ®, US Bonds: Barclays US Aggregate Index.

WHY SHOULD AN ACTIVE ABSOLUTE RETURN CURRENCY STRATEGY OFFER RETURN PREMIA OVER THE LONG TERM?

Over the long term, an active absolute return currency strategy provides a diversified and uncorrelated source of return, through exploiting inefficiencies present in the currency market.

Understanding inefficiencies in the currency market and why they exist

We believe that currencies exhibit inefficiencies due to the diversity among market participants pursuing varying objectives (including non-profit) and time horizons.

For example:

- Central banks and governments influence their currencies through monetary policy to achieve specific economic objectives
- Merger and acquisition-related transactions are relatively insensitive to current exchange rates
- An exporter with revenue in one currency and expenses in another may choose to lock-in a future rate in order to avoid uncertainty

The myth of a zero-sum game

We believe the currency market is not a zero-sum game. In a single currency pair trade, one market participant's gain is another's loss—resulting in a zero-sum game. However, in the currency market, trading is not a zero-sum game as there are many investors with unique objectives, providing opportunity for a return-seeking manager to take advantage of inefficiencies.

HOW DOES CIBC AM REDUCE PORTFOLIO CONCENTRATION AND VOLATILITY?

Our methodology promotes diversification across return sources. We do this by using four uncorrelated and transparent currency factors utilizing different time horizons (short, mid and long term), and by incorporating both quantitative and qualitative inputs in our internal research.

HOW DOES CIBC AM MANAGE CURRENCY FACTOR DISTORTIONS?

We believe that not all information can be easily or adequately quantified, since currency return factors are subject to cyclical as well as structural distortions. In order to capture these distortions, our approach includes a judgement-based element to complement our factor models. This judgement-based element of the process has historically added value relative to the factor models alone.

WHAT IS CIBC AM'S EXPERTISE IN ACTIVE CURRENCY MANAGEMENT?

CIBC AM has been managing currency strategies for institutional investors since 1996. Our capabilities include Pure Active (Unconstrained), Active Hedging (Constrained) and Passive Hedging.

The launch of CIBC Active Global Currency Pool is an extension of our active currency strategy. Our objective is to offer our active currency capabilities to a broader spectrum of institutional investors. Traditionally, access to the currency strategy was only available through a segregated account requiring a large asset base to qualify. The pool fund structure allows for a lower minimum for invested capital.

WHAT IS THE DECISION-MAKING PROCESS FOR CURRENCY EXPOSURE?

Over the long term, we believe combining quantitative and qualitative inputs captures risk-inducing future events not yet reflected in quantitative data and enhances currency exposure decisions.

We construct a portfolio of currency exposures we expect to produce the best risk-adjusted return using the following process:

1. Using quantitative methods, we analyze, rank and identify the most attractive currency pairs based on four currency factors: valuation, carry (interest-rate differential), cyclical and momentum.

2 We then use seasoned judgment to assess the sensitivity of the different currency factors to various macroeconomic regimes. This helps determine which factors we should be exposed to, and which factors we should minimize or avoid, given the current or expected macroeconomic environment.

3 Our fundamental analysts provide dedicated coverage to specific regions through detailed assessments on country-specific conditions, along with consideration of the associated impact on a country's currency.

4 We then construct a currency portfolio reflecting our view of the dominant currency factors based on our assessment of the macroeconomic environment, augmented with country and region-specific considerations. Each position's contribution to overall risk is evaluated in order to allocate risk to the areas where we have the strongest convictions.

We believe that judgment is crucial to success in currency management as it captures opportunities and risks that may not yet be reflected in quantitative data.

TO WHAT CURRENCIES DOES CIBC ACTIVE GLOBAL CURRENCY POOL OFFER EXPOSURE?

According to the Fundamental Law of Active Management, in addition to a manager's skill, breadth plays a crucial role in a manager's ability to deliver alpha.

As such, we invest in a broad universe of 32 currencies that includes G10 and emerging market (EM) currencies. This enables the portfolio to benefit from multiple sources of value-add, multiple-pairing opportunities, and increased diversification. The inclusion of EM currencies distinguishes CIBC AM's currency pool in the marketplace.

The rationale for EM currencies

The inclusion of EM currencies provides access to less correlated markets, increasing potential opportunities and improving diversification. More specifically:

- Some of the fastest-growing economies can be found in EM countries; this growth is often reflected in their currencies.
- Many EM currencies offer high carry (high interest-rate differential) and/or can be attractive from a valuation perspective.
- In some cases, EM currencies have weak fundamentals or quantitative signals and can be attractive short positions

HOW IS RISK MANAGED?

Risk management is an integral part of our investment process. The metrics we use include:

- **Total active risk:** measured and monitored in order to calibrate the risk in accordance with the expected added-value target of each mandate.
- **Contribution to risk:** evaluated for every position, in order to allocate risk where we have the strongest quantitative signals and fundamental conviction.
- **Market risk aversion measures:** used to estimate the level of risk that is likely to be reflected in the market on a forward-looking basis. These measures help guide portfolio construction.

WHAT SETS CIBC AM'S ACTIVE CURRENCY MANAGEMENT APART?

Experience in currency management

CIBC AM has one of the longest pure active currency track records in Canada, dating back to 1996. The current team responsible for active currency mandates has been managing the strategy since 2002. The strategy has consistently outperformed its peers, delivering an Information Ratio (IR) of 0.94 (the median IR for currency strategies is 0.48) in the 10-year period ending March 31, 2017. This places our currency strategy in the top quartile over that period.

Source: Mercer - ©2017 Mercer LLC. All rights reserved[1]

Team continuity, depth and expertise

CIBC AM's currency group is a large, well-established team of nine members with an average of 20 years of industry experience and 11 years with CIBC AM. As at March 31, 2017, the group is responsible for managing approximately CAD $30 billion in assets.

A unique integrated approach

We believe that combining the use of quantitative models with qualitative judgment to integrate fundamental, cyclical and technical factors has been crucial to our success in currency management. This differentiates us from our peers, whose processes tend to be skewed to either quantitative or qualitative inputs.

Breadth of currency universe

Our universe of 32 currencies includes both developed and EM currencies, expanding the opportunity sets available to the portfolio and increasing the potential value add.

WHY ALLOCATE TO CIBC ACTIVE GLOBAL CURRENCY POOL?

We believe that the uncorrelated, risk-adjusted alpha opportunities offered by this asset class, coupled with our deep expertise and unique approach to currency management, justifies consideration of the CIBC Active Global Currency Pool for institutional clients' portfolios.

For more information, visit: cibcam-institutional.com

[1] This output should be read in conjunction with, and is subject to, MercerInsight MPA™: Important notices and third-party data attributions.

[2] As at March 31, 2017. This figure includes $32 billion in 3rd party sub-advised assets. In addition, we manage $30 billion in notional currency overlay assets. Of this $30 billion, we manage $12 billion of the underlying physical assets.