Select Income Advantage Managed Portfolio

Portfolio Review – Second Quarter 2013

Q2 Portfolio SELECT Series

CI Investments

Select Income Managed Portfolio

Portfolio Review – Second Quarter 2013 as at June 30, 2013

Portfolio Managers' Economic Overview

U.S. economic data remained mixed during the second quarter, but improving jobs and housing numbers prompted the Federal Reserve to indicate that it was considering plans to reduce its massive bond and mortgage-buying program. This surprised investors and led to a sell-off in the bond market, with yields on U.S. Treasuries rising to their highest levels in more than a year. High-yield and investment-grade corporate bonds and real estate investment trusts also pulled back during the quarter.

Canadian equities as reflected by the S&P/TSX Composite Index stumbled early in the quarter on weak economic data, made a strong recovery with other global markets through May but dropped sharply again in June, finishing the second quarter with a 4.1% loss. Signs of economic weakness overseas, particularly slower growth in China, led to a drop in prices for commodities including oil, copper and particularly gold, which weighed on the resource-heavy Canadian market. Canadian equities were also dragged down as nervous investors considered the consequences of higher interest rates in the U.S. Meanwhile, the U.S. equity market experienced a pullback through the month of June as companies reported weaker corporate earnings and investors mulled the implications of the U.S. Fed tapering its current quantitative easing program. Nevertheless, the S&P 500 Index finished the period with a 6.5% gain in Canadian dollar terms.

In Europe, most stock markets finished the period with modest gains, benefiting from the expectation that the European Central Bank would cut interest rates to spur the region's struggling economy. Japan's Nikkei Index soared early in the quarter after the Bank of Japan announced a US$1.4 trillion stimulus plan designed to increase inflation. The Nikkei finished the quarter up about 8%. Other Asian markets, including those in Hong Kong, South Korea and Singapore, declined in the face of stalling Chinese growth data.

Underlying Fund Allocations

CI Income Fund	100.0%

Bond Information

Portfolio yield (approx.)	3.1%
Duration in years	3.7

Top Ten Holdings

Canada Gov't 2.25% 01Aug14	2.2%
U.S. Treasury Note 1.625% 15Nov22	2.1%
Canada Gov't 1.25% 01Mar18	1.9%
Canada Gov't 4% 01Jun41	1.8%
Canada Gov't 2.75% 01Jun22	1.3%
U.S. Treasury Note 3.125% 15May21	1.1%
Province of Ontario 4.2% 02Jun20	0.9%
U.S. Treasury Note 1.625% 15Aug22	0.7%
RBC 5.95% 18Jun14	0.7%
TIPS 1.25% 15Apr14	0.7%

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Portfolio Performance (Class A)

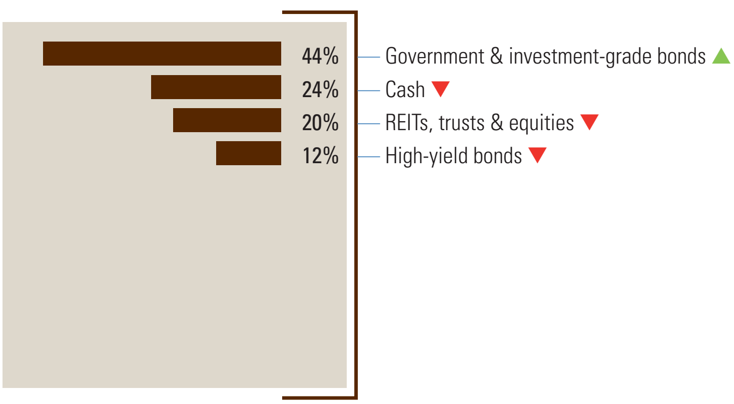
1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	Since Inception (September 2010)
-1.3%	-0.5%	1.4%	3.8%	N/A	N/A	N/A	3.9%

Asset Allocation Overview and Activity

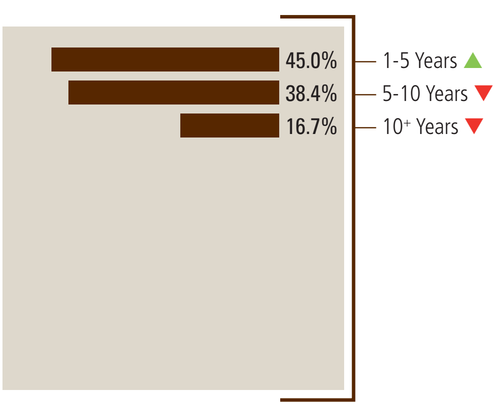
Different types of investments will respond differently to the markets, reinforcing the importance of a multi-level diversification strategy. A balanced asset mix ensures that investors are not dependent on any one asset class or security type to provide returns. CI Investment Consulting combines its portfolio construction expertise with ongoing comprehensive research and recommendations from State Street Global Advisors, a world leader in asset allocation, to create portfolios designed to capture evolving opportunities in the various asset classes.

This report is designed to provide you with an up-to-date portfolio overview of the Select Income Managed Portfolio, including the allocations across asset class, currency exposure and bond maturity breakdown. The arrows indicate whether the allocation for each category has increased or decreased since the previous quarter-end.

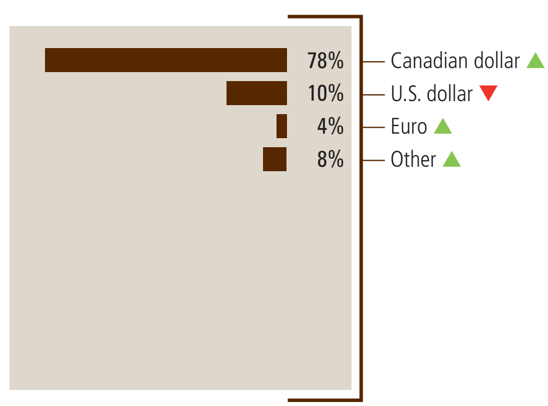
Asset Class



Bond Term



Currency Exposure



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Portfolio Commentary

The portfolio fell 0.5% during the quarter, significantly outperforming its benchmark (DEX Universe Bond Index), which lost 2.4%, and incurred less volatility in the process. A high cash position and exposure to a strengthening U.S. dollar contributed to performance.

During the quarter, government bonds suffered losses following Federal Reserve Chairman Ben Bernanke's comments that the economy has improved to a point where the U.S. central bank could start to wind down its bond-buying program later this year. While an improving economy is welcome news, the withdrawal of stimulus was considered unfavourable by investors. Income-producing equities, such as real estate investment trusts and utilities, also declined, as an increase in long-term bond yields made their payouts less attractive. The U.S. dollar strengthened against the Canadian dollar due to improving economic fundamentals south of the border and a retreat in commodity prices after indications of slowing economic growth in China.

Our globally diversified basket of income-generating equities contributed to performance. We currently favour high-quality dividend-paying companies. Government bond holdings had the weakest performance, but our significant underweight allocation to this asset class added to relative performance.

The portfolio's target allocation is 20% in each of Canadian government bonds, foreign government bonds, investment-grade corporate bonds, high-yield corporate bonds, and high-yielding equities. At the beginning of the quarter, we held a significant underweight allocation to government, investment-grade and high-yield bonds due to limited opportunities to earn attractive risk-adjusted returns. We recently increased our positions in government and investment-grade bonds, as their yields have begun to look attractive relative to cash. We continue to keep our high-yield bond allocations low in anticipation of more attractive valuations.

The portfolio's interest rate risk is reduced through exposure to corporate bonds with shorter durations and higher yields, as well as to alternative sources of income such as high-yielding equities that have lower sensitivity to interest rate movements. While we have added exposure to bonds, the portfolio's overall duration remains low.

A large portion of the portfolio's foreign currency exposure is strategically hedged back to the Canadian dollar, dampening volatility from currency movements. However, depending on the level of exchange rates, we will adjust the portfolio's exposure to foreign currencies to benefit from changing market conditions.

We are continuing to favour corporate bonds, global bonds and currencies, while maintaining underweight allocations to Canadian government bonds. Having a diversified and flexible framework allows us to take advantage of changes in valuations in the market and continue providing steady income returns with low volatility. We expect to achieve modest growth and inflation protection through our allocation to high-quality dividend-paying equities.

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CI Investment Consulting

Portfolio Select Series

Portfolio Management Team

Altrinsic Global Advisors, LLC follows a fundamental value approach in which the team seeks out high-quality undervalued companies worldwide. Founded by John Hock and associates, Altrinsic is based in Greenwich, Connecticut, and manages over US$13 billion in assets.

Cambridge Global Asset Management manages over $7 billion in assets and is led by Chief Investment Officer Alan Radlo and Portfolio Managers Robert Swanson and Brandon Snow. Combined, they have over 65 years of investment experience and have managed a number of multi-billion-dollar mutual fund portfolios. Cambridge Global Asset Management is a division of CI Investments and has offices in Boston and Toronto.

Epoch Investment Partners, Inc. is a New York-based investment management firm founded by Wall Street veteran William Priest and associates. Epoch uses a unique value-based approach that focuses on companies with superior shareholder yield. It manages over US$24 billion.

Harbour Advisors, a division of CI Investments, is led by Portfolio Managers Gerry Coleman and Stephen Jenkins. Harbour's approach entails buying high-quality businesses at a sensible price, and following a patient, long-term outlook. Mr. Coleman's expertise has been recognized by his selection as Fund Manager of the Year in 2008 and 2001. Harbour manages about $14 billion.

QV Investors Inc. is a Calgary-based, employee-owned portfolio management firm that serves individual and institutional investors. QV follows a value-based approach in which it seeks companies with better returns and lower valuations than those of the market. The firm is led by Chief Investment Officer Leigh Pullen and manages $4 billion in assets.

Signature Global Asset Management's advantage is its approach in which asset class and sector specialists combine their research to develop a comprehensive picture of a company and its securities. The team of 32 investment professionals is led by Chief Investment Officer Eric Bushell, who was named Morningstar Fund Manager of the Decade in 2010. Signature manages over $40 billion.

Picton Mahoney Asset Management is a portfolio management firm led by David Picton and Michael Mahoney. The use of quantitative analysis is the foundation of their approach. Picton Mahoney maintains a disciplined focus on fundamental change, coupled with strong risk controls and portfolio construction techniques. The firm manages about $7 billion.

Tetrem Capital Management is an employee-owned investment management firm founded by Chief Investment Officer Daniel Bubis. It is based in Winnipeg and has an office in Boston. Tetrem uses a disciplined investment approach to invest in undervalued Canadian and U.S. companies. The firm manages about $5 billion.

Portfolio SELECT™ Series

For more information on Portfolio Select Series, please contact your CI Sales Representative or visit www.ci.com/portfolioselect.

CI Investments

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