Select Income Managed Portfolio

Portfolio Review – Third Quarter 2013

CI Investments

Select Income Managed Portfolio

Portfolio Review – Third Quarter 2013 as at September 30, 2013

Portfolio Managers' Economic Overview

After sending signals earlier this year that it would be scaling back its economic stimulus efforts, the U.S. Federal Reserve announced in September that it would be standing pat, citing a string of uninspiring U.S. jobs and economic data. The yield for the U.S. 10-year Treasury bond rose to nearly 3.0% in advance of the Fed's announcement, but fell back to about 2.7% following the change in guidance. The Bank of Canada also left rates unchanged, but Governor Stephen Poloz had a more upbeat outlook, citing growing confidence in the Canadian economy. Prices for interest-sensitive asset classes, including government bonds, investment-grade and high-yield corporate bonds, and real estate investment trusts, had declined sharply over the summer with the prospect of higher interest rates before rebounding somewhat late in the third quarter.

Canadian equities, as represented by the S&P/TSX Composite Index, posted a 6.3% gain for the quarter, as the U.S. Fed's announcement that it would continue its stimulus plans briefly boosted the index to a two-year high. Although the materials sector had been deeply negative as a result of poor commodity prices and rising costs for most of the year, stock prices rose late in the third quarter on a more optimistic outlook. The health care, consumer discretionary, and financial sectors led the market with the strongest gains, while the utilities sector was the only one to have a negative return. Meanwhile, U.S. stocks, as reflected by the S&P 500 Index, finished the period with a 3.0% gain in Canadian dollar terms.

Despite ongoing political and fiscal issues in the Eurozone during the quarter, equity indexes rose in Germany, France and England. Japan's Nikkei Index rose 5.7%. Other Asian markets, including China, Hong Kong and South Korea, also had positive returns. The MSCI World Index gained 6.0% in Canadian dollars.

Underlying Fund Allocations

CI Income Fund	100.0%

Bond Information

Portfolio yield (approx.)	3.2%
Duration in years	3.9

Top Ten Holdings

Canada Gov't 1.25% 01Mar18	4.2%
Canada Gov't 2.75% 01Jun22	1.6%
Canada Gov't 4% 01Jun14	1.6%
U.S. Treasury Note 1.625% 15Nov22	1.2%
Province of Ontario 4.2% 02Jun20	0.9%
Province of British Columbia 3.7% 18Dec20	0.9%
Province of Ontario 4.2% 08Mar18	0.9%
U.S. Treasury Note 1.75% 15May23	0.8%
Bank of Nova Scotia 6.65% 22Jan21	0.8%
Bank of Nova Scotia 4.94% 15Apr19	0.8%

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Portfolio Performance (Class A)

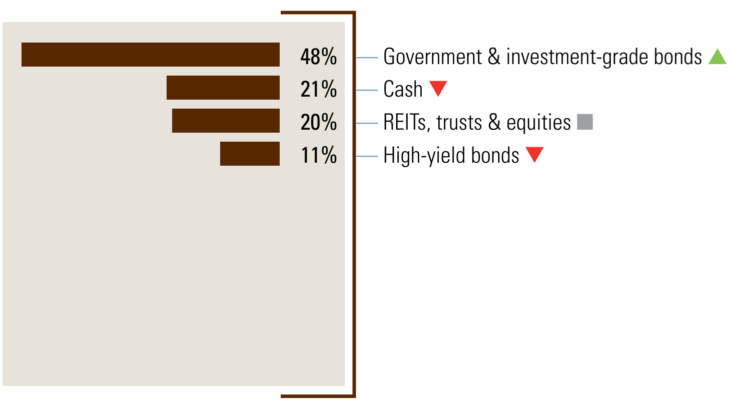
1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	Since Inception (September 2010)
0.9%	0.8%	0.3%	3.7%	3.5%	N/A	N/A	3.8%

Asset Allocation Overview and Activity

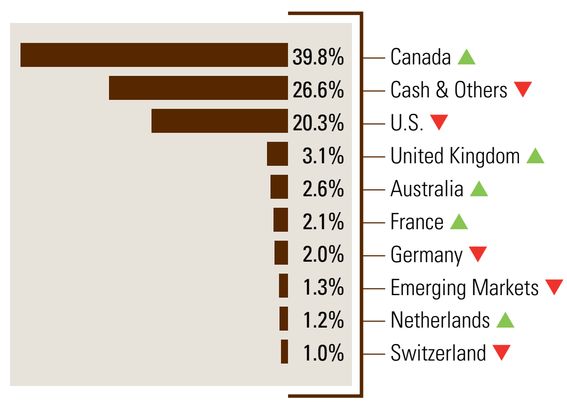
Different types of investments will respond differently to the markets, reinforcing the importance of a multi-level diversification strategy. A balanced asset mix ensures that investors are not dependent on any one asset class or security type to provide returns. CI Investment Consulting combines its 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



Geographic Regions



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Portfolio Commentary

The portfolio gained 0.8% during the quarter, significantly outperforming its benchmark (DEX Universe Bond Index), which rose 0.1%. Performance was driven by diversified exposure to income-producing equities and high-yield bonds. Tactical purchases of government and investment-grade corporate bonds also had a positive impact.

During the quarter, global bond markets gained following the U.S. Federal Reserve's decision not to cut back on its asset-buying program. Income-generating equities rebounded after Fed Chairman Ben Bernanke gave assurances that this key stimulus measure will be retained. The U.S. dollar weakened against the Canadian dollar and other major foreign currencies amid the prospect of continued stimulus.

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 returns, 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. Over the quarter, we tactically increased our government and investment-grade bond positions as yields began to look attractive relative to cash. We also selectively added to our high-yield bond allocation as valuations become more attractive. We maintained a large cash position to reduce volatility and to provide flexibility to invest.

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 valuations.

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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Lewis Harkes, CFA, Senior Analyst
Andrew Ashworth, Analyst

CI Investment Consulting

Portfolio Select Series

Portfolio Management Teams

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 Stephen Jenkins and Roger Mortimer. Harbour's approach entails buying high-quality businesses at a sensible price, and following a patient, long-term outlook. Harbour manages over $12 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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1310-1746_E (10/13)