Market Commentary
Digital Roadshow 2017

MARRET ASSET MANAGEMENT INC.

Low rates, inflation on the horizon
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- CI Investment Grade Bond Fund is a core fixed-income fund that emphasizes income, low volatility and capital preservation. Its global approach allows the fund to strategically benefit from divergent monetary policy and credit cycles around the world, as well as from greater diversification and liquidity.

- Duration and credit risk are typically managed outside the portfolio through short positions or the futures markets. This allows Marret to actively manage risk in the portfolio at any time, at a low cost and with minimal portfolio disruption.

- Up to 10% of the fund can be invested in high quality high-yield bonds. Marret occasionally adds high yield to the portfolio to take advantage of specific situations when the managers believe they can add value. Marret believes the high-yield market is currently expensive and there are no high-yield positions in the fund.

- Marret's outlook is for slightly better global economic growth in 2017, led by the United States. Modest growth is also expected in Canada, Europe and Japan.

- U.S. 10-year Treasury yields have jumped in recent months and are likely to rise further with a cyclical rise in inflation and as the U.S. Federal Reserve takes steps to normalize interest rates. Although there is a possibility of Treasury yields temporarily reaching about 3%, Marret does not see rate increases in Canada, Europe or Japan this year and believes that the longer-term trend to low interest rates will continue. This is because government debt levels remain high, inflation remains low in most parts of the world, and there is still a lot of unutilized industrial capacity.

- Within the investment-grade credit market, valuations are moderately high, credit spreads are narrow and corporate balance sheets are weak, which is not a good combination for investing in the asset class. It appears, however, that corporate leverage has peaked and that companies are taking steps to manage their debt more conservatively. Profit margins remain strong. And central banks are increasingly adding corporate bonds to their reserve management, which should act as a tailwind to the sector. So although risks remain, there is a strong technical backdrop for investment-grade bonds.

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Fourth Quarter 2016