Marret Short Duration High Yield Fund
Fourth-quarter 2019 Commentary

Adrian Prenc, CFA, FRM, Vice-President, Portfolio Manager and Chief Risk Officer

Class F returns (in %) as at December 31, 2019	Year-to-date	1 year	3 year	5 year	Since inception (02/14/2014)
Marret Short Duration High Yield Fund	4.3	4.3	2.9	2.9	2.7

Sources: Bloomberg Finance L.P., Marret Asset Management Inc., as at December 31, 2019.

Market Overview

- Risk markets finished the year strongly, posting impressive gains across most asset classes. This came despite global economic conditions deteriorating over the course of the year, with persistent weakness in the global manufacturing sector. In the United States, 2019 was a year where corporate profit margins declined, capital spending was weak, and earnings growth remained elusive, while consumer spending held firm given unemployment remained low.

- Markets responded favourably to accommodative central bank policy as the U.S. Federal Reserve (the "Fed") cut interest rates multiple times in addition to providing liquidity to ease pressure in the overnight lending market. President Trump further appeased markets in December with the announcement of a Phase I trade agreement with China, sending the S&P 500 Index to new highs.

- Cyclical assets performed well heading into year-end as optimism of an economic recovery grew given recent signs of global growth stabilization. Credit markets also reacted favourably, posting strong gains in the final month of the year, despite the headwind of higher interest rates as the Fed recently announced it was on hold for the time being. The high-yield market yield ended the year at approximately 5.4%, with spreads declining to approximately 360 basis points (bps), falling considerably over the course of the year. This came despite a weakening growth backdrop, modestly rising default rates and leverage ratios remaining relatively high. Spread tightening seemed to have been primarily driven by easing central bank monetary policy, rather than improving credit fundamentals.

Performance Summary

- The core short-duration bonds held in the portfolio of Marret Short Duration High Yield Fund (the "Fund") posted a positive return of 0.7% for the fourth quarter of 2019, outperforming the -0.4% return for its benchmark index, the ICE BofAML 1-5 Year BB Cash Pay High Yield Total Return Index, over the same period.

- The Fund continued to generate steady, stable returns in the current quarter however trailed the index primarily due to its focus on capital preservation and its lower-duration portfolio.

Contributors to Performance

- The Fund benefitted from its core shorter-dated high yield positions providing attractive risk-adjusted returns.

- In addition, positive contributions came from Bombardier Inc. 2022 bonds, as well as a sharp recovery in Endo International PLC's first-lien securities.

- Investment-grade bonds also helped returns, including both governments and corporates.

Portfolio Activity

- The Fund maintains its overweight to low-duration higher-quality credit with modest exposure to both investment-grade credit in addition to government securities.

- Cash holdings have increased in the quarter given valuation.

- The Fund is currently overweight packaging and health care, while being underweight retail, technology and banks.

Outlook

- Looking back at 2019, what ended up being a challenging year economically resulted in one of the strongest years of gains for risk assets in history. Credit markets benefitted from accommodative central bank policy creating an insatiable search for "safe yield" given depressed government bond yields globally. Investors were driven into credit with little concern over what declining rates were signalling with respect to the overall health of the economy, in order to generate positive yield.

- U.S. credit markets have seen strong inflows from foreign investors looking for higher yields than can be received domestically. Central banks appear to have once again successfully restored confidence. Additionally, it does appear that the global economy is in fact stabilizing, albeit at weaker levels.

- Looking forward, we expect some improvement in the growth outlook for Europe, as well as Asia (ex-Japan), while we anticipate the United States to lag. The most difficult obstacle for 2020 remains one of valuation. Economic growth is still expected to remain subpar, which leaves little conviction to take excessive lower-quality credit risk, while longer-duration higher-quality securities are trading at high dollar prices and are call constrained resulting in negative convexity, which provides for poor risk/reward dynamics.

- We will be watching interest rates closely for any sharp moves higher as global markets are highly indebted and the economy has already shown an inability to withstand significantly higher rates.

- We will also be closely monitoring confidence and trends in the U.S. labour market for any signs that indicate growth may not be improving beyond stabilization.

- Another important driver of markets that we think could be a theme next year is U.S. dollar weakness, which we will also be watching very closely.

- In the meantime, we are currently keeping our duration low given valuation, but are prepared to tactically add exposure and extend duration as market opportunities present themselves.

IMPORTANT DISCLAIMERS

MARRET ASSET MANAGEMENT INC.

The author and/or a member of their immediate family may hold specific holdings/securities discussed in this document. Any opinion or information provided are solely those of the author and does not constitute investment advice or an endorsement or recommendation of any entity or security discussed or provided by CI Investments Inc.

The comparison presented is intended to illustrate the mutual fund's historical performance as compared with the historical performance of widely quoted market indexes or a weighted blend of widely quoted market indexes or another investment fund. There are various important differences that may exist between the mutual fund and the stated indexes or investment fund, that may affect the performance of each. The objectives and strategies of the mutual fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indexes or investment fund. Indexes are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indexes.

The contents of this piece are intended for informational purposes only and not to be used or construed as an endorsement or recommendation of any entity or security discussed. The information should not be construed as investment, tax, legal or accounting advice, and should not be relied upon in that regard. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies. These investments may not be suitable to the circumstances of an investor. Some conditions apply.

Certain statements in this document are forward-looking. Forward-looking statements ("FLS") are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate," or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Investments Inc. and the portfolio manager believe to be reasonable assumptions, neither CI Investments Inc. nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI Investments Inc. has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document.

Marret Asset Management Inc., is a majority owned subsidiary of CI Financial Corp. and an affiliate of CI Investments Inc. Marret Asset Management Inc. is a portfolio sub-advisor to certain funds offered and managed by CI Investments Inc. CI Investments® and the CI Investments design are registered trademarks of CI Investments Inc.

Published January 31, 2020.

CI Investments | Trusted Partner in Wealth™