

Marret Asset Management: Weekly Update

CI Investment Grade Bond Fund and CI First Asset Investment Grade Bond ETF

For the week ended January 8th, 2021.

Government bond yields began the new year on the defensive. Expectations of increased fiscal stimulus (i.e. potentially stronger growth and more debt), following the run-off U.S. senate election results in Georgia, pressured prices with U.S. Treasuries leading the way. 10-year government bond yields in the U.S., Canada, Germany and the U.K. closed the week 20, 13, 5 and 9 basis points (bps) higher respectively.

Based on our forecasts for global economic growth, inflation, fiscal impulse and a split U.S. Congress, our models were estimating a 20-30 basis point rise in 10-year U.S. Treasury yields. Adjusting for the last week's change in the congressional make-up and the potential of increased fiscal spending, the technical break in inflation breakevens, current interest rate momentum and a repricing due to U.S. Federal Reserve (Fed) tapering, the rise in U.S. Treasuries could be as high as 50 bps. Of course, rates do not rise in a straight line and fiscal policy outcomes are still uncertain. Nonetheless, we are likely to reduce the duration of the portfolio materially in the coming weeks, selling into any short-term strength in government bond prices. However, we want to be clear, our long-term outlook has not changed. We expect central bank inflation targets to remain elusive and above trend economic growth beyond 2021, to be constrained by the structural headwinds of excessively high debt levels, declining population growth and low productivity. The medium-term picture continues to be one characterized by low growth, low yields and low inflation. As a result, the rise in government bond yields is likely to be a good opportunity to add duration meaningfully.

Equity markets continued to look through the deteriorating COVID-19 situation, increasing social distancing measures and the weak employment releases in the U.S. and Canada. Non-farm payrolls in the U.S. posted their first decline since last April, falling 140,000 relative to expectations of a 50,000 gain. The unemployment rate was unchanged at 6.7%. Almost all of the job losses were concentrated in the restaurant and hospitality industries. In Canada, the job decline was 62,600 versus a consensus call for a decrease of 50,000. The unemployment rate rose from 8.5% to 8.6%. As was the case in the U.S., the restaurant and hotel industries reported the bulk of the job losses.

Investment grade corporate credit spreads took their cue from the price action in stocks and as well, were supported by the rise in government bond yields. Based on the Bloomberg Barclays Aggregate Corporate Average OAS Index, investment grade corporate credit spreads tightened 1,

5, 5, and 3 bps in the U.S., Canada, Europe and the U.K., respectively. The underperformance in the U.S. was due to very heavy new issue supply (\$54 billion in the first week of the year) and weakness in the technology, media, and telecom (TMT) sector. The latter was due to concern about how much telecommunications companies may have to spend on the upcoming C-spectrum auctions. Canadian credit spreads benefitted from no new-issue supply and the move in oil prices above \$50.

Portfolio Transactions

Duration last week ranged from 6.24 to 6.65 years (benchmark 6.99 years). Duration was actively traded intra-day using U.S. Treasury 30-year futures contracts. We shortened duration on four occasions and took profits on each trade.

In the credit portfolio, we added new issues in U.S. dollars for Broadcom (2031) and Hyundai Motors (2026). In Canadian dollars, we added to our position in Inter Pipeline 2079 hybrids via the secondary market.

Portfolio Statistics

	CI Investment Grade Bond Fund		CI First Asset Investment Grade Bond ETF	
	December 31, 2020	January 8, 2021	December 31, 2020	January 8, 2021
Current Yield ¹	2.43%	2.49%	2.47%	2.52%
Duration	6.24 years	6.58 years	6.24 years	6.56 years

Market Statistics

	December 31, 2020	January 8, 2021
Government of Canada 10-year yield	0.68%	0.81%
U.S. Treasury 10-year yield	0.92%	1.12%

Sources: Marret Asset Management Inc., Bloomberg Finance L.P.

Standard Performance

Performance in %	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
CI Investment Grade Bond Fund Series F	7.6	4.6	4.6	N/A	4.7	12/24/2014
CI First Asset Investment Grade Bond ETF ²	8.2	5.0	4.8	4.0	4.5	10/23/2009
Benchmark ³	8.7	5.9	5.0	5.0	5.2	N/A

Source: RBC Investor Services as at December 31, 2020.

- ¹ Current Yield represents the gross yield on the Fund's underlying portfolio of securities. It is not the yield or distribution that investors will receive by virtue of an investment in the Fund.
- ² The Fund was originally launched as a TSX-listed closed-end fund on October 23, 2009, and converted into an exchange-traded fund on August 22, 2016. Performance shown is since inception of the closed-end fund. In connection with the conversion, and pursuant to unitholder approval, the annual management fee payable by the Fund to CI ETF, as manager, was increased to 0.65% (from 0.50%) of the NAV per unit and certain changes were made to the investment objectives, strategies and restrictions applicable to the Fund. Material among these changes is that the Fund is no longer able to utilize leverage in its portfolio. Had these changes been in effect prior to this date, the performance of the Fund could have been different.
- ³ Use of Benchmark: The FTSE Canada All Corporate Bond Index is comprised primarily of investment-grade corporate bonds issued domestically and denominated in Canadian dollars. This index is used as a benchmark to help you understand the Fund's performance relative to the general performance of high-grade Canadian corporate bonds.

DEFINITIONS

Duration: A measure of the sensitivity of the price of a fixed-income investment to a change in interest rates. Duration is expressed as number of years. The price of a bond with a longer duration would be expected to rise (fall) more than the price of a bond with lower duration when interest rates fall (rise).

IMPORTANT DISCLAIMERS

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund and exchange-traded fund (ETF) investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compound total returns net of fees and expenses payable by the fund (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds and ETFs are not guaranteed, their values change frequently and past performance may not be repeated. You will usually pay brokerage fees to your dealer if you purchase or sell units of an ETF on recognized Canadian exchanges. If the units are purchased or sold on these Canadian exchanges, investors may pay more than the current net asset value when buying units of the ETF and may receive less than the current net asset value when selling them.

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The comparison presented is intended to illustrate the mutual fund's historical performance as compared with the historical performance of FTSE Canada All Corporate Bond index to show how the fund performs compared to what the index represents. There are various important differences that may exist between the mutual fund and the stated (index) indices 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 index. Indices are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices.

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Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI Global Asset Management has taken reasonable steps to ensure their accuracy.

CI Global Asset Management ("CIGAM") is the portfolio manager to the CI Investment Grade Bond Fund and Marret Asset Management Inc. is the portfolio sub-adviser to the fund. CI is responsible for the investment advice provided by the portfolio sub-advisers.

The CI Exchange Traded Funds (ETFs) are managed by CI Global Asset Management, a subsidiary of CI Financial Corp., which is listed on the Toronto Stock Exchange under the symbol "CIXX" and on the NYSE under the symbol "CIXX".

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