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CI GAM | Multi-Asset Management

Market performance

The love for fixed income ended with the economy on a stronger foot and inflation concerns building. The asset class, as represented by the FTSE Canada Universe Bond Index, fell 5% during the quarter. On the other hand, stocks continued to be favoured as investors are not finding many alternatives that have real growth. The 1-year returns from stock indices were out-sized as they tracked performance from March 31 a year ago, a period where risk appetite swung from very low to very high.

| Benchmark returns in % at March 31, 2021 | 1 year | 3 years | 5 years | 10 years | 10-year standard deviation ² |
|------------------------------------------|--------|---------|---------|----------|-----------------------------------------|
| S&P/TSX Composite Index | 44.2 | 10.2 | 10.1 | 6.0 | 11.6 |
| S&P 500 Index (C\$) | 39.6 | 15.8 | 15.5 | 16.9 | 11.5 |
| MSCI World Index (C\$) | 38.2 | 12.5 | 13.2 | 13.4 | 11.1 |
| FTSE Canada Universe Bond Index | 1.6 | 3.8 | 2.8 | 4.0 | 4.1 |

²Standard deviation: A measure of risk in terms of the volatility of returns. It represents the historical level of volatility in returns over set periods. A lower standard deviation means the returns have historically been less volatile and vice-versa. Historical volatility may not be indicative of future volatility. Standard Deviation calculated on Series Institutional Class.

Source: Bloomberg Finance L.P., FTSE

Portfolio performance

Risk appetite remained strong as we entered 2021, being that overweight equity and underweight exposure to bonds drove strong relative performance. Within equities, an overweight to cyclical sectors levered to economic growth such as energy contributed to outperformance. We also favoured smaller companies over larger ones. Even with the recent strength, positioning is still light, suggesting we are still in the early innings of a rotation. Within fixed income, we are maintaining a shorter duration and prefer investment-grade and high-yield bonds. Higher yields and an improving economy have led to greater returns from corporate bonds relative to government bonds. Improvement in commodities and risk sentiment lifted the Canadian dollar, leading to gains from currency hedging as well.

ivari CI Portfolios are available as Guaranteed Investment Portfolios within select ivari segregated funds contracts and as Managed Portfolio Index Interest Options within select ivari Universal Life Products. Segregated Fund Net Returns below are for the imaxx Guaranteed Investment Funds product (imaxxGIF-75/100). Returns are after the management expense ratio (MER) has been deducted. The MER includes the management fee, the insurance cost for segregated fund guarantees, operating expenses and the applicable taxes of the fund. Policyholders do not pay for these expenses directly. The MER reduces the return of the investment. The Manager, at its discretion, may waive or absorb a portion of the operating expenses otherwise payable by a Fund class. These waivers may be terminated at any time by the Manager. MER and MER before waiver can be found in the ivari Segregated Fund Financial Statement under the section "Financial Highlights." For details please refer to the Information Folder and contract, and to www.ivari.ca for the returns on other products.

| Segregated fund net total returns in % at March 31, 2021 | 1 year | 3 years | 5 years | 10 years | MER³ | 10-year standard deviation |
|-----------------------------------------------------------------|---------------|----------------|----------------|-----------------|------------------------|-----------------------------------|
| ivari CI Conservative GIP | 14.6 | 3.7 | 3.4 | 4.1 | 3.37 | 5.6 |
| ivari CI Canadian Balanced GIP | 18.2 | 4.1 | 3.8 | 3.8 | 3.68 | 6.1 |
| ivari CI Balanced GIP | 22.5 | 4.8 | 5.0 | 5.0 | 3.40 | 7.1 |
| ivari CI Growth GIP | 29.2 | 5.7 | 6.1 | 5.8 | 3.41 | 8.7 |
| ivari CI Maximum Growth GIP | 38.6 | 6.4 | 7.1 | 6.0 | 3.71 | 10.5 |

³MER: Management expense ratio.

Source: CI GAM | Multi-Asset Management, Bloomberg Finance L.P. and FTSE as at March 31, 2021.

MER: annual audited financial statements as of December 31, 2020 (imaxx GIF 75/100 Class).

Any amount that is allocated to a segregated fund is invested at the risk of the contract holder and may increase or decrease in value. Past results should not be construed as indicative of future performance. Actual fund performance is expected to vary.

Outlook and positioning

The backdrop of low interest rates and growing money supply continue to support rising equity prices. We are confident that vaccines will be effective and eventually put humans back on their normal course. It is realistic to assume that consumption and capital spending will grow significantly at some point in 2021, due to pent up demand, hence also boosting corporate earnings. Occasionally there are noises to test investors' confidence, but they are not enough to offset the positive trajectory. We expect inflation to accelerate in the short term as consumers have held off their spending in the last twelve months. This reduced spending, in addition to government subsidies, has generally increased household savings and income. When the world reopens without lockdowns and climbing cases, consumers will pay, and suppliers will have pricing power. Reduced inventory could turn into scarcity in the coming months, as we all want the same things at the same time. We have already seen steep price increases in raw materials such as cotton, copper, aluminum, and oil. We have said numerous times that we need to protect our purchasing power since cash that generates no income is not offsetting inflation and government bonds are doing very little with floor-level yields. We prefer equity to bonds, and each portfolio is properly weighted. Inflation is a real threat and having the flexibility to own less government bonds and more equity is crucial in steering our investors for better outcomes in this unusual environment.

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The comparisons presented are intended to illustrate the mutual fund's historical performance and volatility as compared with the historical performance and volatility of widely quoted market indices or a weighted blend of widely quoted market indices or another investment fund. There are various important differences that may exist between the mutual fund and the stated indices or investment fund, that may affect the performance and volatility 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 indices or investment fund. 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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