

CI Global High Yield Credit Private Pool Second-quarter 2019 Commentary

Fund Holdings

- Kinetic Concepts, Inc., or Acelity L.P. Inc. as it is now known, serves the wound care management industry globally, and the company's unique products and strong market position were recently recognized by 3M Co., who agreed to purchase the business for US\$6.7 billion on May 2 of this year.

Portfolio Activity

- We added a Fund position in Keyera Corp.'s 6.875% fixed-floating hybrid bonds due 2079, which are rated BB+ by Standard & Poor's credit rating agency. Keyera is an integrated Canadian midstream energy services company with 70% of its revenues generated on a fee-for-service basis. This new issue, along with internally generated cash flow, will fund growth projects already underway.
- We also added to the Fund new bonds from Parq Holdings LP (first lien term loan due December 2020). The loan funded the construction of the Parq Casino in downtown Vancouver. A soft opening, due in part to additional proceeds to monitor money laundering, forced the equity sponsor to sell a stake in the project.

Outlook

- The dovish (i.e., cautious) pivot by central banks globally during the quarter supports credit spreads, so long as economic fundamentals do not deteriorate. While continued trade tensions warrant caution, we remain constructive on high-yield bonds, in so much as high yield compares favourably to many other income-producing asset classes. Thus far, earnings have met our expectations. That being said, all-in yields have now fallen to 6% and interest-rate sensitivity has crept back into the asset class. The average bond rated BB yields 4.4%, so uneventful "coupon clipping" has become less assured.

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