

## Marret Asset Management: Weekly Update CI Investment Grade Bond Fund & CI First Asset Investment Grade Bond ETF

*For the week ended October 23<sup>rd</sup>, 2020.*

Globally, equity markets were modestly weaker and bond yields higher, yet investment grade credit (IG) spreads ended the week tighter. The latter improved on good overseas buying of the long end positions, reduced new issue supply and continued yield-induced interest. Ten-year government bond yields in the U.S., Canada, Germany and the U.K. were 9, 6, 5 and 10 basis points (bps) higher respectively. Government bond yields in the U.S. were pressured by fears of a significant further increase in supply, on fiscal stimulus, pre- or post-election. In the U.K., Gilt yields moved higher on optimism that Brexit talks have taken a turn for the better.

Investment grade corporate credit spreads in the U.S., Canada and Europe were 2 bps tighter while those in the U.K. were 6 bps better. The latter again was aided by Brexit talks. Based on the Bloomberg Barclays Aggregate Corporate Average OAS Index, U.S. investment grade credit spreads are at their post-COVID tightests. Credit spreads appear to be at odds with the economic fundamentals (despite the third quarter bounce, GDP remains below pre-pandemic levels). However, central bank support for investment grade markets, the need for yield in a low for longer government bond yield environment, better than expected earnings and more conservative balance sheet management are underpinning credit spreads. Corporate credit is clearly benefitting from the relative value (yield pick-up) versus governments, but we believe it is always important to not lose sight of absolute value (are we getting paid for the risk we are taking?).

It was a light week in the Canadian investment grade corporate new issue market, as expected. Only two new issues, with details as follows:

- Royal Bank \$1.25 billion 4.0% 02/24/2081 at par (Limited Recourse Capital Notes, callable in 2026).
- Canadian Western Bank \$175 million 6.0% 04/30/2081 at par (Limited Recourse Capital Notes, callable in 2026).

The Funds participated in the Royal Bank new issue.

## Portfolio Transactions

Duration of the Funds ranged from 6.69 to 6.84 years (benchmark 7.05) during the period. We executed one sale in U.S. Treasury 30-year futures which was covered at a profit. In addition to the Canadian-dollar new issue purchase noted above, we purchased a securitized new issue for United Airlines and an unsecured deal for T-Mobile USA. A portion of the UAL deal was sold at a profit. In secondary trade, we sold T-Mobile 2060 and Southwest Airlines 2027.

## Portfolio Statistics

	CI Investment Grade Bond Fund		CI First Asset Investment Grade Bond ETF	
	October 16	October 23	October 16	October 23
Current Yield <sup>1</sup>	2.47%	2.52%	2.53%	2.56%
Duration	6.79 years	6.86 years	6.75 years	6.84 years

## Market Statistics

	October 16	October 23
Government of Canada 10-year yield	0.58%	0.64%
U.S. Treasury 10-year yield	0.75%	0.84%

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

## Standard Performance

Performance in %	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
CI Investment Grade Bond Fund Class F	5.4	4.5	4.6	N/A	4.6	12/24/2014
CI First Asset Investment Grade Bond ETF <sup>2</sup>	5.9	5.0	4.6	3.7	4.5	10/23/2009
Benchmark <sup>3</sup>	6.9	5.9	4.7	4.8	5.2	N/A

Source: RBC Investor Services as at September 30, 2020.

<sup>1</sup> 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.

<sup>2</sup> 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 First Asset, 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.

<sup>3</sup> 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).

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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.

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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CI Investments Inc. ("CI") 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.

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