CI PRIVATE POOLS™

CI Global Unconstrained Bond Private Pool
Third-quarter 2020 Commentary

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Class F returns (in %) as at September 30, 2020	Year-to-date	1 year	3 year	5 year	Since inception (2018-10-29)
CI Global Unconstrained Bond Private Pool	0.3	1.2	N/A	N/A	2.8

Source: Signature Global Asset Management, as at September 30, 2020.

Performance Summary

- Over the quarter ended September 30, 2020, Class F of CI Global Unconstrained Bond Private Pool (the Fund) returned 4.3%, outperforming its benchmark, the Canadian Government Bond 3 Month Bill + 150 basis points, which was up 0.4% over the same period.

- The Fund's outperformance during the quarter was mostly due to the strong performance of the credit spreads in the Fund's portfolio, particularly high-yield corporate bonds.

Contributors to Performance

- Exposure to a wide variety of credit spreads (high-yield bonds, investment-grade corporate bonds, U.S.-dollar-denominated emerging-market sovereign bonds and preferred shares) contributed positively to the Fund's performance during the quarter. Positive global risk sentiment was sustained during the quarter as economic activity rebounded on the back of continued reopening of economies alongside strong fiscal stimulus from governments. Meanwhile, ample liquidity provided by central banks encouraged investors to remain engaged in credit and risky assets.

- Preferred shares were the highest returning asset class in the Fund's portfolio. Strong returns from the preferred shares market was driven by the announcement from the Royal Bank of Canada in mid-July 2020 that it was introducing a new additional tier-1 (AT1) bond. As the AT1 bond pays tax-deductible interest, it is much cheaper for banks to issue. Under current

Office of the Superintendent of Financial Institutions guidelines, the outstanding bank preferred shares are likely to shrink by over $12 billion, representing 19% of the preferred shares market.

Detractors from Performance

- An allocation to U.S.-dollar-denominated bonds, net of currency hedges, modestly detracted from both the Fund's performance during the quarter. Risk-on sentiment helped the Canadian dollar outperform safe-haven currencies such as the U.S. dollar.

- The largest single detractor from the fund's performance during the quarter was the Fund's holding in Global Aircraft Leasing Co., Ltd. (6.5% bond due September 15, 2024), which has been adversely affected by the COVID-19 global pandemic and dramatically reduced air passenger traffic, raising concerns of airline solvency. Global Aircraft Leasing is a holding company for a 70% stake in Avolon Holdings Ltd., an aircraft lessor. Airlines are the main customers of Avolon Holdings. While it is yet unclear how long-lived the crisis in air passenger traffic will be, over the longer term we expect air passenger traffic will recover, and the underlying lease collateral (i.e., airplanes) will be integral to that recovery. Global Aircraft Leasing underperformed during the quarter, reversing gains made during a premature recovery in the second quarter of 2020.

Portfolio Activity

- As credit spreads continued to grind tighter during the third quarter of 2020, we took profits on some of the Fund's exposures to corporate bonds, particularly high-yield corporate bonds.

- We also took profits on the Fund's positions in U.S. Treasury inflation-protected securities as inflation expectations had risen to around pre-pandemic levels.

- We participated in the inaugural Royal Bank of Canada AT1 bond deal and subsequent issues from other banks that yield in the area of 4.40%.

Outlook

- Global economic growth rebounded in the third quarter of 2020 as economies reopened and activity levels continued to normalize. Aggressive fiscal and monetary policy responses

proved effective in preventing worse outcomes, but accommodative policies by governments and central banks must remain in place.

- From a monetary policy perspective, this translates into policy interest rates of central banks being near zero for the foreseeable future. Furthermore, the formal adoption by the U.S. Federal Reserve Board (the Fed) of a flexible average inflation targeting framework allows the Fed flexibility to keep its federal funds rate near zero even if inflation climbs "moderately above" 2% for some time.

- Easy monetary conditions alone will not be enough to sustain the economic recovery. More fiscal stimulus will be needed. Central banks, including the Fed and the Bank of Canada, stand ready to finance structurally higher government deficits. In this context, low interest rates become a necessity to ease debt servicing costs and reduce debt sustainability concerns.

- Fiscal policy, however, is subject to political dynamics, with the upcoming U.S. elections being a prime example. Investors in the U.S. market await an outcome to the next round of fiscal stimulus talks in that country as their cue on whether to continue buying credit at the recent pace. A successful outcome of the U.S. elections should see corporate spreads, both in the U.S. and Canada, take another leg tighter.

- Given uncertainty surrounding the U.S. elections and the uptick in COVID-19 cases worldwide, we don't expect the path to additional stimulus to be a smooth one. However, we remain optimistic that some form of stimulus will eventually ensue and a viable vaccine or treatment for the COVID-19 disease becomes a reality.

Sources: Bloomberg L.P. and Signature Global Asset Management, as at September 30, 2020.

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