

CI Canadian Fixed Income Private Pool First Quarter 2020 Commentary

Class F returns (in %) as at March 31, 2020	1 year	3 year	5 year	Since inception (2018-10-29)
CI Canadian Fixed Income Private Pool Class F	2.5	N/A	N/A	5.5

*Effective November 22, 2019, Sentry Canadian Fixed Income Private Pool has merged with CI Canadian Fixed Income Private Pool and this change may impact performance. Had these changes been in effect prior to this date, the performance of the fund could have been different.

Source: Sentry Investment Management, as at March 31, 2020.

Performance Summary

- In the first quarter of 2020, Class F of CI Canadian Fixed Income Private Pool (the Fund) returned -0.7% compared with the FTSE Canada Universe Bond Index, which returned 1.6%.

Contributors to Performance

- A holding in a **Government of Canada 2.75% June 1/2048** bond greatly increased in value as a result of the collapse in the value of riskier assets.
- A bond holding in **Ford Credit Canada Co. 2.45% May 7/2020** was another contributor to performance. This very short-dated bond issued by the credit division of Ford Canada performed well as a result of its added yield carry and short maturity.

Detractors from Performance

- A bond issued by junior oil producer, **Athabasca Oil Corp. 9.875% February 24/2022**, that despite being a very small percentage holding within the Fund, suffered large losses as the price of oil dropped to generational lows. Demand was also curtailed because of COVID-19.
- A hybrid security issued by Canadian energy infrastructure company, **Inter Pipeline Ltd. 6.625%**, was another detractor from performance. The security performed poorly as a result of its failure to complete previously announced asset sales while continuing large expansion.

Portfolio Activity

- We added a new senior bond position in **Bank of Nova Scotia 2.38% May 1/2023**, issued by one of the large Canadian banks. The holding was added as spreads began to widen on corporate debt.
- We reduced exposure to a perpetual bond issued by Canadian energy company Emera Inc. 6.75% in order to take partial profits before the COVID-19 crisis hit.

Market Outlook

- Global economic activity is expected to drop significantly in the upcoming quarter as a result of social distancing measures being taken.
- Both goods manufacturing as well as services will be negatively impacted. Unemployment levels are likely to spike to generational highs.
- Security pricing has already changed to reflect the new reality of an economy impacted by COVID-19. Volatility is now at peak levels. Positioning within the Fund is fluid where appropriate risk opportunities are exploited, while other trades are made to reduce exposure to riskier assets. Maintaining liquidity is the main overriding feature.

Source: Bloomberg Finance L.P. and Sentry Investment Management.

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