CI PRIVATE POOLS™

CI Global Unconstrained Bond Private Pool
Second-quarter 2020 Commentary

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Class F returns (in %) as at June 30, 2020	Year-to-date	1 year	3 year	5 year	10 year	Since inception (2018-10-29)
CI Global Unconstrained Bond Private Pool	-3.8	-2.2	N/A	N/A	N/A	0.6

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

Performance Summary

- The CI Global Unconstrained Bond Private Pool Class F (the Fund) returned 7.9% over the second quarter of 2020, outperforming its benchmark, the Canada three-month Treasury Bill +150 basis points, which returned 0.5%.

- Fund returns were mostly driven by the noticeable rebound in risky assets, particularly high-yield corporate bonds over the quarter.

Contributors to Performance

- An overweight 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 to the Fund's return. The U.S. Federal Reserve (the Fed), Bank of Canada, and other central banks launched bond purchase programs and governments provided significant stimulus packages, stabilizing markets and providing investors with confidence to re-engage risky assets.

- The hybrid 5.5% bonds due 2077 of pipeline and midstream energy company Enbridge Inc. materially contributed to performance, recovering from March lows. As a split rated Ba1 (i.e. high yield) and BBB- (i.e. investment grade) security, in tail events it can be more volatile than either asset class as it would be "non-core" to many investors.

Detractors from Performance

- An allocation to U.S.-dollar denominated bonds, net of currency hedges, modestly detracted from both the Fund's total return and alpha return. A rebound in oil prices and general risk sentiment throughout the second quarter saw pro-cyclical currencies, including the Canadian dollar, outperform safe-haven currencies, such as the U.S. dollar.

- The Intelsat SA 5.5% notes due 2023 were a detractor during the quarter, as the satellite operator is exposed to COVID-19 impacted sectors such as airline, cruise and shipping mobility contracts. The company had hoped to bridge liquidity needs with the expected proceeds it will receive from an upcoming auction of its 5G spectrum licenses, but the environment changed, and the liquidity sources did not materialize soon enough. Intelsat filed for Chapter 11 in May.

Portfolio Activity

- The Fund's positions in U.S.-dollar investment-grade corporate bonds and U.S.-dollar emerging market sovereign bonds were significantly increased throughout the second quarter, as investor global risk sentiment rebounded alongside the global economic recovery. Canadian and U.S. government bonds were sold to raise the required cash.

- As the performance of our high-yield positioning largely surpassed expectations throughout the second quarter, we did a relative value trade to reduce high-yield corporate bonds and increase U.S.-dollar emerging market sovereign bonds towards the end of the reporting period.

- As government bond yields continued their decline from the first quarter into the beginning of the second quarter, we took profits on the duration exposure by selling down all five-year and longer government bonds buy cash-equivalent securities.

Outlook

- Although the initial fiscal and monetary responses to the global pandemic were swift, decisive and effective, more policy support is expected in the coming months. Accommodative policies must remain in place for the next several years to help economies close their output gaps. If economic lockdowns will not be implemented again, even against a backdrop of a resurgence of COVID-19 cases, it could take the U.S. and Canadian economies up to three

years to recover to 2019 GDP levels. Premature tapering of fiscal and monetary stimulus poses a risk to economic recoveries in North America and abroad.

- While further credit spread tightening is our base case, returns from here will probably be comprised more from carry than capital gains but with subdued volatility compared with the first half of 2020. Active security selection and sector rotation will be key for the remainder of the year.

- Government bonds will struggle to rally a lot more from here should risky assets sell off again. As such, their diversification potential in portfolio construction will be diminished out to 10-years to maturity. Cash, foreign currencies, commodities and derivatives will grow in importance as defensive asset classes. Meanwhile, credit asset classes will provide much-needed carry and we expect investor appetite to remain strong for the foreseeable future.

Sources: Bloomberg L.P. and Signature Global Asset Management.

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