

CI Canadian Fixed Income Private Pool Second Quarter 2020 Commentary

Class F returns (in %) as at June 30, 2020	1 year	3 year	5 year	Since inception (2018-10-29)
CI Canadian Fixed Income Private Pool Class F	6.4%	N/A	N/A	8.5%

Source: Sentry Investment Management, as at June 30, 2020.

Performance Summary

- In the second quarter of 2020, Class F of CI Canadian Fixed Income Private Pool (the Fund) returned 6.1% compared with the FTSE Canada Universe Bond Index, which returned 5.9%.

Contributors to Performance

- A bond issued by gas storage and transportation facility in the Gulf of Mexico, **Sabine Pass Liquefaction LLC 5.875% June 30/2026**, performed well as demand picked up during the reopening of the U.S. economy.
- A bond holding in **Province of British Columbia 2.80% June 18/2048** was another contributor to performance. This long-duration bond, issued by Canada's highest-rated province, performed well as risk sentiment turned positive during the quarter.

Detractors from Performance

- A bond issued by the iconic U.K. retailer **Marks & Spencer Group PLC 7.125% December 1/2037** only partially recovered from the lows suffered amid the COVID-19 pandemic.
- A perpetual bond issued by U.K.-based bank **HSBC Bank PLC 5.844%** performed as expected. However, the security is denominated in U.K. currency, which declined in value against the Canadian dollar.

Portfolio Activity

- We added a new bond holding issued by **Ventas Realty LP 2.55% March 15/2023**, the Canadian subsidiary of a U.S. retirement home operator whose operations were constrained during the economic lockdown.

- We eliminated a holding in German automobile maker **Volkswagen AG 3.125% May 12/2023**. The bond was purchased at new issue and subsequently sold in a profit-taking action as relative value opportunities came up elsewhere in the market

Market Outlook

- We expect further growth as the economy continues to gradually open, but considerable slack will remain in the economy through the end of 2020.
- We believe that inflationary pressures are very unlikely to materialize this year.
- The Bank of Canada should continue its quantitative easing program to offset a significant increase in government bond supply, which is funding double-digit deficits.
- We will continue to adjust the Fund's duration (sensitivity to interest rates) in a contrarian fashion at market highs and lows, maintaining an overweight position in credit and an underweight exposure to the long end of the yield curve.

Source: Bloomberg Finance L.P. and Sentry Investment Management, as at June 30, 2020.

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