CI PRIVATE POOLS™

CI Global Enhanced Government Bond Private Pool
Second-quarter 2020 Commentary

Paul Sandhu, President and Chief Executive Officer
Adam Tuer, CFA, PhD, Vice-President, Portfolio Manager and Head of Research

Class F returns (in %) as at June 30, 2020	Year-to-date	1 year	3 year	5 year	Since inception (2018-10-29)
CI Global Enhanced Government Bond Private Pool	7.1	8.5	N/A	N/A	8.2

Source: Marret Asset Management, as at June 30, 2020.

Market Overview

- The second quarter of 2020 saw an initial recovery in economic activity, as the healthcare situation improved and governments began to ease restrictions.
- The recovery in financial markets has been even sharper due to the magnitude of policy support directed towards financial assets. Near the end of the quarter, with optimism high surrounding the re-opening of the economy, the reality of rising COVID-19 case counts in other major economic regions hit investor confidence.
- As cases increased, risk markets once again grew nervous. The U.S. stock market declined almost 6% in a single day prompting the U.S. Federal Reserve to alter the rules of its corporate bond purchase program the following day. This sent a clear message to markets that they will not tolerate volatility which may jeopardize the recovery. Risk markets immediately gapped higher and the reflation theme once again took hold.

Performance

- During the quarter, Class F of CI Global Enhanced Government Bond Private Pool (the Fund) returned 1.3%, outperforming the -2.9% return for its benchmark, the J.P. Morgan Global Government Bond Index.

Contributors to Performance

- The Fund benefitted from being overweight Canadian government bonds in the first two months of the quarter, as Canadian government debt outperformed U.S. government bonds.

- The Fund also benefitted from increasing duration in June, adding long duration U.S. Treasuries and subsequently selling them as they rallied into the end of the quarter.

- A modest exposure to corporate credit also helped performance, as credit markets rallied strongly.

Outlook

- Today's sources of uncertainty are numerous: How will the virus continue to propagate? What will be the healthcare treatment solutions? What will be the future of fiscal support? How will consumers, businesses and investors behave as we re-open? For now, at least as it pertains to markets, these sources of uncertainty are in the shadow of this era's greatest certainty: endless central bank support.

- The shadow encourages markets to decouple from fundamentals and the real economy, with the areas of the market most directly influenced by central bank support decoupling the furthest. We still expect drawdowns, in either rates or risk, but given how quickly central banks responded in June to modest volatility, our current expectation is that the magnitude of any pullback has been greatly reduced.

- Opportunities to add risk exposure will likely be more modest and, as such, we will likely have to be more aggressive than normal when these opportunities arise. As always, we will look to be balanced and prudent in our approach, but our desire to actively manage in this environment means getting involved at sizes sooner than in a more traditional market environment.

Source: Bloomberg Finance L.P. and Marret Asset Management.

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