Marret Asset Management: Weekly Update
CI Investment Grade Bond Fund & CI First Asset Investment Grade Bond ETF

For the week ended September 25th, 2020.

Nervous price action in equities and credit allowed government bond yields to push modestly lower this week. A lack of fiscal progress in the U.S., slowing momentum in global economic indicators and rising COVID-19 cases and renewed mobility restrictions, particularly in Europe, kept risk assets on the defensive. Ten-year government bond yields declined 4 basis points (bps) in the U.S, Canada and Germany. In the U.K., they were 1 basis point higher. A steady amount of corporate and sovereign new issue supply is restricting a stronger response in government bond yields from the risk off tone. Ten-year U.S. Treasury yields remain locked in a 0.55% to 0.75% range which we believe will persist in the short-term.

The 2020 Canadian Speech from the Throne did not disrupt the price action in Canadian government securities, at least not at the time of writing. We found this odd, as the federal government's commitment to do whatever it takes to offset the negative economic consequences of COVID-19 will mean another substantial lift in the budget deficit, resulting in increased Government of Canada (GOC) issuance. Perhaps the market is waiting for the new Minister of Finance, Chrystia Freeland's fall fiscal update to assess the magnitude of the deficit and funding requirements. Given the material promises made in the throne speech, including the extension of existing income support programs and new initiatives, the numbers will not be attractive. In the July 2020 fiscal update, the federal debt-to-GDP was projected to increase from about 18% to 49%. We expect the latest government announcements to add at least another 10% to the federal debt-to-GDP. If Canadian government bond yields are materially impacted by the expected increased deficit funding supply, it will be notable if the Bank of Canada (BOC) increases its purchases. Recall, currently, the BOC is buying 13% of each GOC auction and additionally purchasing $5 billion of GOC bonds in the secondary market weekly.

We do not think the latest fiscal stimulus program results in S&P or Moody's Investor Service downgrading the country's credit-rating, but a negative outlook is certainly possible. The Canadian dollar's weakness, however, was a clear reflection of the market's concern over the path of the fiscal deterioration.

Investment grade (IG) corporate credit spreads saw their first week of discernable widening globally this week. Based on the Bloomberg Barclays Aggregate Corporate Average OAS Index, IG credit spreads were 12, 5, 8 and 8 bps wider in the U.S., Canada, Europe and the U.K. Energy and financials were the weakest performing sectors.

MARRET ASSET MANAGEMENT INC.

It was a slightly quieter week in the Canadian investment grade corporate credit market. Below is a summary of new deals:

- CU Inc. $150 million 2.609% 09/28/2050 +153 bps
- Hydro One $425 million 1.41% 10/15/2027 +102.1 bps (holding company)
- Aviva $450 million 4.0% 10/02/2030 +346.2 bps (subordinated)

The Funds participated in the Hydro One and Aviva new issues.

Portfolio Transactions

Duration of the Funds ranged from 7.05 to 7.17 years (benchmark 7.05) during the period. With interest rates range trading, we have attempted to keep duration close to benchmark, adding duration on any backup in rates. In credit, we added the above-noted new issues in Canada. In the U.S. market, we added new issues for American Tower and Equinix Inc. We sold some more of the Delta Airlines asset-backed new issue securities we purchased last week.

Portfolio Statistics

	CI Investment Grade Bond Fund		CI First Asset Investment Grade Bond ETF	
	September 18	September 25	September 18	September 25
Current Yield[3]	2.45%	2.46%	2.55%	2.54%
Duration	7.13 years	7.12 years	7.05 years	7.05 years

Market Statistics

	September 18	September 25
Government of Canada 10-year yield	0.55%	0.51%
U.S. Treasury 10-year yield	0.70%	0.66%

Sources: Marret Asset Management Inc., Bloomberg Finance L.P

Standard Performance

Performance in %	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
CI Investment Grade Bond Fund Class F	4.2	4.2	4.5	N/A	4.7	12/24/2014
CI First Asset Investment Grade Bond ETF[1]	4.82	4.69	4.38	3.76	4.52	10/23/2009
Benchmark[2]	6.31	5.54	4.70	4.85	5.22	N/A

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Source: RBC Investor Services as at August 31, 2020. Lawrence Park Strategic Income fund merged into CI Investment Grade Bond Fund effective November 22, 2019. Please refer to the Fund's simplified prospectus and fund facts on ci.com.

[1] The Fund was originally launched as a TSX-listed closed-end fund on October 23, 2009, and converted into an exchange-traded fund on August 22, 2016. Performance shown is since inception of the closed-end fund. In connection with the conversion, and pursuant to unitholder approval, the annual management fee payable by the Fund to CI First Asset, as manager, was increased to 0.65% (from 0.50%) of the NAV per unit and certain changes were made to the investment objectives, strategies and restrictions applicable to the Fund. Material among these changes is that the Fund is no longer able to utilize leverage in its portfolio. Had these changes been in effect prior to this date, the performance of the Fund could have been different.

[2] Use of Benchmark: The FTSE Canada All Corporate Bond Index is comprised primarily of investment-grade corporate bonds issued domestically and denominated in Canadian dollars. This index is used as a benchmark to help you understand the Fund's performance relative to the general performance of high-grade Canadian corporate bonds.

[3] Current Yield represents the gross yield on the Fund's underlying portfolio of securities. It is not the yield or distribution that investors will receive by virtue of an investment in the Fund.

DEFINITIONS

Duration: A measure of the sensitivity of the price of a fixed income investment to a change in interest rates. Duration is expressed as number of years. The price of a bond with a longer duration would be expected to rise (fall) more than the price of a bond with lower duration when interest rates fall (rise).

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Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund and exchange-traded fund (ETF) investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compound total returns net of fees and expenses payable by the fund (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds and ETFs are not guaranteed, their values change frequently and past performance may not be repeated. You will usually pay brokerage fees to your dealer if you purchase or sell units of an ETF on recognized Canadian exchanges. If the units are purchased or sold on these Canadian exchanges, investors may pay more than the current net asset value when buying units of the ETF and may receive less than the current net asset value when selling them.

The comparison presented is intended to illustrate the mutual fund's historical performance as compared with the historical performance of FTSE Canada All Corporate Bond index to show how the fund performs compared to what the index represents. There are various important differences that may exist between the mutual fund and the stated (index) indices that may affect the performance of each. The objectives and strategies of the mutual fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable index. Indices are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices.

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Published September 30, 2020.