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

For the week ended December 11th, 2020.

There have been a lot of moving parts in the markets over the past few weeks: 1) stalled U.S. fiscal stimulus talks; 2) Brexit talks on the brink of failure; 3) rising global cases of COVID-19 followed by increasing social restrictions; 4) COVID-19 vaccines nearing approval and deployment; 5) slowing Q4 economic growth and; 6) central banks looking to “recalibrate” quantitative easing. All of these have resulted in some decent intra-day volatility. Yet, despite this, markets seem to be locking into a better economic growth and reflation theme. More on this can be found in our upcoming 2021 Outlook.

In broad terms over the last three weeks, government bond yields backed up a bit (the exception to this was Europe and the U.K. where yields were lower on the back of Brexit fears and a dovish European Central Bank (ECB), credit spreads tightened and industrial country equity markets were higher. Specifically, 10-year bond yields in the U.S., Canada, Germany and the U.K. were +6, +6, -6 and -19 basis points (bps) respectively. On the investment grade credit front, based on the Bloomberg Barclays Aggregate Corporate Average OAS Index, spreads tightened 5, 10, 3 and 10 bps in the U.S., Canadian, European and U.K. markets respectively.

We had two important central bank meetings this week at the Bank of Canada (BOC) and ECB. The Bank of Canada, as expected, left interest rates unchanged, maintained its extraordinary forward guidance and kept its bond-buying program at the current pace. On the economy, the BOC balanced the short-term negatives (second wave of COVID-19 and expected slower Q4/Q1 growth) and the longer-term positives (vaccine availability and stronger second half of 2021 growth). We believe one important part of the BOC’s announcement was overlooked – its comments on the Canadian dollar. The BOC affirmed that the recent rise in the dollar has been fundamentally based. That is, due to stronger commodity and energy prices. This means the Bank will not stand in the way of a stronger currency despite its impact on inflation (lower) and exports (lower).

A comment on the Canadian dollar – last week, we mentioned to several of our private and institutional clients that the Canadian dollar had broken out of a long-standing range ($1.2950 – $1.3650). We noted that this breakout might be technically important if it persisted for a week. The December 11th close on the Canadian dollar affirmed that it is expected to continue to strengthen. In the short-term, this means a move to the $1.2500 area is likely and on an intermediate term basis, a move to the $1.20 area is possible. From a fundamental basis, this technical breakout is reinforced by the stronger 2021 growth consensus, the reflation theme, a weaker U.S. dollar due to rising current account and budget deficits and a rotation to emerging markets.

The ECB was expected to deliver further stimulus and it did. There was no change in the ECB's interest rate policy, but quantitative easing (QE) via the pandemic emergency purchase program was increased by an additional 500 million euros and is expected to run to March 2022. A number of further measures to continue to provide cheap lending to banks, were also announced. The ECB was the latest central bank to "recalibrate" its QE programs following the BOC and the Reserve Bank of Australia (RBA) last month. Eyes will now turn to the U.S. Federal Reserve (Fed) this coming week.

Lower rates and very heavy demand for Canadian corporate credit lead to a raft of borrowers opportunistically accessing the market. Several of these deals came with little spread concession and still tightened post pricing. This caused secondary spreads to reprice quite sharply. Below is a summary of the corporate investment grade issues launched in Canada this week:

- Summit Industrial REIT $200 million 1.82% 04/01/2026 +135.8 bps
- Riocan REIT $500 million 1.974% 06/15/2026 +148.3 bps
- Gibson Energy $250 million 5.25% 12/22/2080 (subordinated callable 2030) rated BB
- CT REIT $150 million 2.371% 01/06/31 +163.1 bps
- Intact Financial $300 million 1.928% 12/16/2030 +120 bps
- Intact Financial $300 million 2.954% 12/16/2050 +170 bps
- Canadian Western Bank $500 million 1.818% 12/16/2027 +130.3 bps
- SmartCenters REIT $350 million 1.74% 12.16.2025 +128.7 bps
- SmartCenters REIT $300 million 2.307% 12/18/2028 +173.3 bps

The Funds participated in the Gibson Energy and Intact 2050 issues.

Portfolio Transactions

Duration for the past three weeks ranged from 6.27 to 6.57 years (benchmark 6.95 years).

In addition to the above-noted new issues that were added to the credit portfolio, we purchased Canadian-dollar new issues for MCAP Commercial LP (2027), Ford (2023), and AltaGas (2028 and 2030).

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Portfolio Statistics

	CI Investment Grade Bond Fund		CI First Asset Investment Grade Bond ETF	
	November 20	December 11	November 20	December 11
Current Yield[1]	2.53%	2.54%	2.52%	2.52%
Duration	6.54 years	6.58 years	6.48 years	6.55 years

Market Statistics

	November 20	December 11
Government of Canada 10-year yield	0.65%	0.71%
U.S. Treasury 10-year yield	0.83%	0.89%

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

Standard Performance

Performance in %	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
CI Investment Grade Bond Fund Series F	6.2	4.4	4.5	N/A	4.6	12/24/2014
CI First Asset Investment Grade Bond ETF[2]	6.8	4.8	4.8	4.0	4.5	10/23/2009
Benchmark[3]	7.4	5.5	4.9	5.0	4.6	N/A

Source: RBC Investor Services as at November 30, 2020.

[1] 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.

[2] 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.

[3] 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.

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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CI Global Asset Management ("CI") is the portfolio manager to the CI Investment Grade Bond Fund and Marret Asset Management Inc. is the portfolio sub-adviser to the fund. CI is responsible for the investment advice provided by the portfolio sub-advisers.

The CI Exchange Traded Funds (ETFs) are managed by CI Global Asset Management, a subsidiary of CI Financial Corp., which is listed on the Toronto Stock Exchange under the symbol "CIXX" and on the NYSE under the symbol "CIXX".

Marret Asset Management Inc., is a majority owned subsidiary of CI Financial Corp. and an affiliate of CI Global Asset Management.

CI Global Asset Management is a registered business name of CI Investments Inc.

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