CI LIQUID ALTERNATIVE INVESTMENT STRATEGIES

CI Lawrence Park Alternative Investment Grade Credit Fund

DECEMBER 2020

CI Lawrence Park Alternative Investment Grade Credit Fund (the Fund) is an active credit-focused mandate designed to address the challenges of traditional fixed-income investing. Hedging the majority of interest rate risk and currency risk, the Fund aims to generate fixed-income alpha by capitalizing on inefficiencies and short-term dislocations in the investment-grade corporate credit markets. With an emphasis on capital preservation, the Fund seeks to provide consistent positive returns over the market cycle, with a low correlation to equity and fixed-income markets.

PERFORMANCE SUMMARY (as at December 31, 2020)

	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	2 YEAR	SINCE INCEPTION
CI LAWRENCE PARK ALTERNATIVE INVESTMENT GRADE CREDIT FUND CLASS F	1.09	3.32	8.03	4.93	5.37	4.77
FTSE CANADA ALL CORPORATE BOND INDEX	0.73	1.80	3.16	8.72	8.39	8.53

Source: CI Global Asset Management & Morningstar Research Inc. as at December 31, 2020. Inception date: November 7, 2018.

MONTHLY SUMMARY

Global credit finished the year on a strong note, with the Barclays Corporate Spread Index closing 2020 at 100 basis points (bps), 2bps wider than its 2019 closing level. As we start a new year, spreads are historically tight on an absolute basis, but still cheap in terms of their proportional contribution to yields. We expect that contribution to continue to revert towards historical norms through a combination of tightening spreads and rising government yields. With the Fed and Bank of Canada demonstrating their willingness to join the European Central Bank in buying corporate debt, volatility should remain moderate. In what we believe will be a yield-starved year, active management will play a significant role in generating fixed income returns in 2021. Investors will be rewarded for prudent selection and nimble risk management.

CREDIT

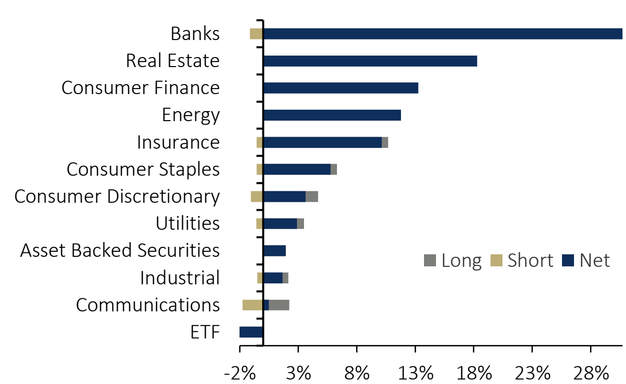
December is usually the month when most strategists turn their attention to an outlook for the coming year. There was strong consensus that credit would continue to tighten as consumers in a post-pandemic world return to traditional spending patterns and lagging sectors of the economy finally recover. News of a COVID-19 vaccine was enough to stimulate a risk-on tone, and as the month progressed, some of the spread tightening we expected in the first quarter of 2021 started in December.

FUND SUMMARY

KEY FACTS

NAV/UNIT (CLASS F)	$10.59
STRATEGY AUM	$418 million
MANAGEMENT FEE (CLASS F)	0.80%
PERFORMANCE FEE	10% of any returns (net of MER) above the Hurdle Rate, subject to a high-water mark
HURDLE RATE	FTSE Canada All Corporate Bond Index
INTEREST RATE DURATION	0-3 years
LEVERAGE	1-3x
INVESTMENT-GRADE EXPOSURE	99%
CLASS F FUND CODE	CIG 4190 (C$) CIG 4194 (US$)
CLASS A FUND CODE	CIG 2190 (C$) CIG 2194 (US$)
ETF TICKER	TSX: CRED (C$ hedged) CRED.U (US$ hedged)

SECTOR BREAKDOWN



Source: Lawrence Park Asset Management. Data as at December 31, 2020.

Sectors that suffered greatly during the initial spring lockdowns performed particularly well, and the portfolio enjoyed significant positive performance from Chartwell Retirement Services, energy names such as Suncor and Canadian Natural Resources, and auto manufacturer Nissan.

RATES

Rate curve themes persisted throughout Q4. U.S. 10-year Treasury yields rose 7bps to finish the year at 0.92%, while the 2y-30y yield differential widened 9bps to finish at 152bps. Rising long term yields and steeper curves are a direct result of the Fed's zero interest rate policy and recently articulated willingness to let inflation rise beyond 2% as well as the U.S. government's increased borrowing requirements to fund stimulus programs. We expect these themes to continue into the first half of 2021. Canadian 10-year yields remained fairly flat in December, near 0.68%. However, interest rates in Canada will inevitably follow U.S. curves steeper the longer the situation persists.

PORTFOLIO THEMES

During the month, we reduced the portfolio's three years and under holdings while adding five years and longer positions where we still see room for further tightening. Historically, a steeper rate curve supports our outlook for a flatter credit curve. At the same time, we reduced leverage, which meant the spread sensitivity of the portfolio finished lower despite extending our average term. Although we remain constructive on credit spreads, some trimming of overall risk felt prudent on a tactical basis given the potential for January event risks, like the Senate runoff, rising COVID-19 cases and a new U.S. administration.

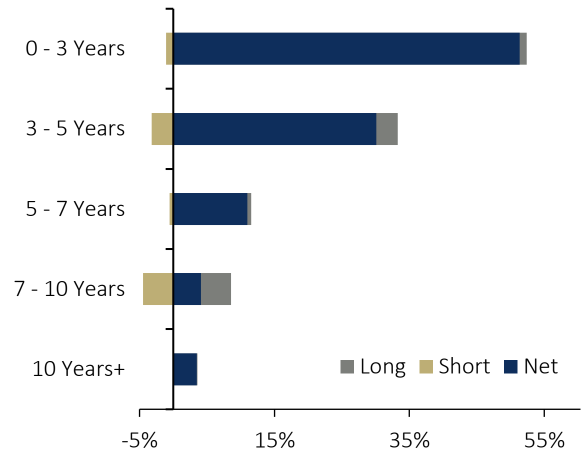
Our sector exposure remained fairly consistent, though we continued to reduce "COVID friendly" holdings such as media and technology in favour of traditional sectors including REITs.

OUTLOOK

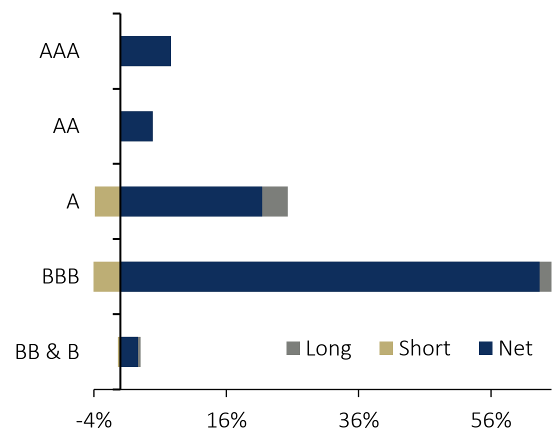
Global credit has finished the year almost exactly where it started, while domestic credit in Canada remains about 10 basis points from additional tightening. The portfolio remains overweight in Canada and we believe spreads here can outperform if volatility remains moderate. Credit spreads relative to low yields continue to look attractive and despite the recent rally, we see scope for further tightening. Q1 is traditionally a very busy period for new issue activity, offering plentiful opportunities for potential incremental returns through active and relative value trading.

The year 2021 begins with a yield-starved world. If inflation expectations continue to rise (U.S. 10-year breakeven inflation finished 2020 at 1.98%, up 35bps in Q4 2020) then generating positive returns from passive fixed income will become increasingly difficult. We feel confident the portfolio is

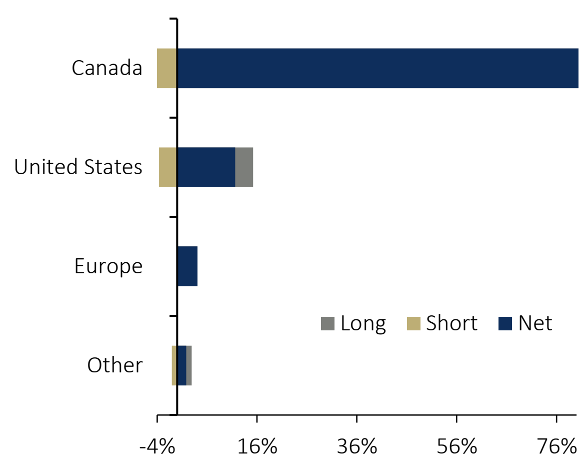
MATURITY BREAKDOWN



CREDIT QUALITY



GEOGRAPHIC BREAKDOWN



Sources: CI Global Asset Management and Lawrence Park Asset Management. Data as at December 31, 2020.

positioned well. We are prepared to be nimble and can continue to add meaningful alpha throughout the year.

Source: Lawrence Park Asset Management, Bloomberg Finance L.P. as at December 31, 2020.

For more information, please visit ci.com.

LAWRENCE PARK
ASSET MANAGEMENT

DEFINITIONS

Duration: A derivative is a financial security with a value that is reliant upon, or derived from, an underlying asset or group of assets. The derivative itself is a contract between two or more parties based upon the asset or assets. Its price is determined by fluctuations in the underlying asset

Alpha: A measure of performance. Alpha, often considered the active return on an investment, gauges the performance of an investment against a market index or benchmark which is considered to represent the market's movement as a whole. The excess return of an investment relative to the return of a benchmark index is the investment's alpha

DISCLAIMERS

Published January 11, 2021.