SIGNATURE DIVERSIFIED YIELD FUND

Q4-2020 Commentary

CI GLOBAL ASSET MANAGEMENT

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I*
Signature Diversified Yield Fund, Series F*	-0.3%	3.8%	4.4%	N/A	5.9%
Benchmark: 40% ICE BofAML U.S. High Yield Total Return Index, 20% MSCI ACWI Global High Dividend Yield Total Return Index, 20% MSCI ACWI Infrastructure Total Return Index, 20% MSCI World Real Estate Total Return Index	0.0%	5.5%	5.7%	9.1%	8.9%

* Inception date of Signature Diversified Yield Fund, Series F: February 14, 2011.

Source: CI Global Asset Management, as at December 31, 2020.

PERFORMANCE SUMMARY

- Over the fourth quarter of 2020, Signature Diversified Yield Fund, Series F (the Fund) returned 7.2% compared with its benchmark, the 40% ICE BofAML U.S. High Yield total Return Index, 20% MSCI ACWI Global High Dividend Yield Total Return Index, 20% MSCI ACWI Infrastructure Total Return Index, 20% MSCI World Real Estate Total Return Index, which returned 4.1%.
- The Fund outperformed its benchmark primarily due to security selection and asset allocation. This meant picking the right stocks, and in high yield, avoiding defaults and having conviction that deeply-discounted bonds could rebound sharply.
- Sticking with overweight corporate credit allocations in sectors disrupted by COVID-19 such as cruise lines, airlines and lodging, and transportation infrastructure, as well as midstream energy companies in equities, drove better-than-benchmark performance.

CONTRIBUTORS TO PERFORMANCE

Global Aircraft Leasing Co., Ltd. (6.5% Sept. 15,2024) was a strong contributor during the quarter. During the period, the market underestimated the sector's access to capital markets. Furthermore, the company's liquidity during the third quarter, aided by late-year unsecured issuance, was relatively strong. In addition to the vaccine's headline impact on businesses sensitive to COVID-19, the company's lease revenue collection rate for the year through the third quarter was comfortably ahead of expectations, which also helped to buoy market sentiment on these notes.

DETRACTORS FROM PERFORMANCE

Shares of Equinix Inc. declined 5.7% during the quarter despite reporting solid third quarter operating results. The stock had been trading at the higher end of its valuation range. Positive COVID-19 vaccine news in November drove investors to focus on the sectors of the real estate investment trust market that had been out of favour and would benefit from life getting more back to normal. The Intarcia Therapeutics, Inc. royalty notes were also a detractor during the period. Intarcia Therapeutics, Inc. royalty notes also detracted during the period. The U.S. Food and Drug Administration denied the company's new drug application for its subcutaneous drug delivery system for the treatment of type 2 diabetes.

PORTFOLIO ACTIVITY

In our view, pharmaceuticals companies are trading at historical discounts to the broader market, indicating a positive risk/reward proposition as political volatility begins to recede. With strong and stable free cash flows and expectations of improving execution, we view shares of both Novartis International AG and Sanofi S.A. to be attractive investments at current levels and added them to the Fund. During the quarter, we sold the Fund's position in Foot Locker, Inc. (8.5% Jan. 15, 2022) as it hit our relative value target. The Signature funds have held this position for more than a decade as the company has defended its premier spot in shoe retailing and has de-risked its balance sheet.

MARKET OVERVIEW

Markets enter 2021 in uncharted territory. Unprecedented levels of manipulation by governments (in the form of fiscal stimulus) and central banks (quantitative easing) have pushed the real yields (i.e., nominal yields less inflation) into negative territory. The combination of low but rising inflation expectations (albeit more in commodities than wages), low but rising nominal yields and the Fed willing to let inflation run above its 2% target is a set-up for real government bond yields to stay negative and for equities and credit to outperform.

We believe credit spreads can tighten. Within equities, we believe financials, cyclicals and broad income sectors look more attractive than the high beta information technology and consumer staple companies. We have lowered the high yield bond weight in the portfolio, re-allocating to income equities.

CI GLOBAL ASSET MANAGEMENT

For more information, please visit ci.com.

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