CI LIQUID ALTERNATIVE INVESTMENT STRATEGIES

CI Lawrence Park Alternative Investment Grade Credit Fund

FEBRUARY 2021

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 February 28, 2021)

	1 MONTH	YTD	3 MONTHS	6 MONTHS	1 YEAR	2 YEAR	SINCE INCEPTION
CI LAWRENCE PARK ALTERNATIVE INVESTMENT GRADE CREDIT FUND SERIES F	0.18%	0.83%	1.93%	4.82%	5.19%	5.07%	4.81%
FTSE CANADA ALL CORPORATE BOND INDEX	-1.95%	-2.48%	-1.77%	-0.72%	2.85%	5.98%	6.75%

Source: CI Global Asset Management & Morningstar Research Inc. as at February 28, 2021. Inception date: November 7, 2018. Effective January 15, 2021, CI Lawrence Park Alternative Investment Grade Credit ETF has merged with CI Lawrence Park Alternative Investment Grade Credit Fund and this change may impact performance. Had these changes been in effect prior to this date, the performance of the fund could have been different.

MONTHLY SUMMARY

Interest rates took center stage in February as a 46 basis point (bp) rise in 10-year government bond yields led to the Canadian bond index[1] suffering its worst single month return in 18 years, down over 2.5%. The CI Lawrence Park Alternative Investment Grade Credit Fund (the Fund) was able to navigate the carnage successfully and produce positive returns thanks to prudent risk management and our rate hedging strategy, which is central to our investment thesis. The extreme rate volatility is putting credit spreads under pressure and as such, during the month we reduced our credit spread sensitivity by 35% while we await better market conditions.

CREDIT

Global credit markets enjoyed another positive month with spreads generally tighter; however, most markets saw spreads widen in the final week as interest rates moved sharply higher. Technology and Pharmaceuticals, both darlings of the pandemic, underperformed while Financials and Energy outperformed. Corporate borrowers were taking note of rising yields by issuing debt more aggressively. Over $100 billion of new bonds were priced in February, exceeding expectations by more than 10%.

In Canada, the Insurance sector was actively issuing hybrid paper during the month. On February 9th, Empire Life became the first insurance company

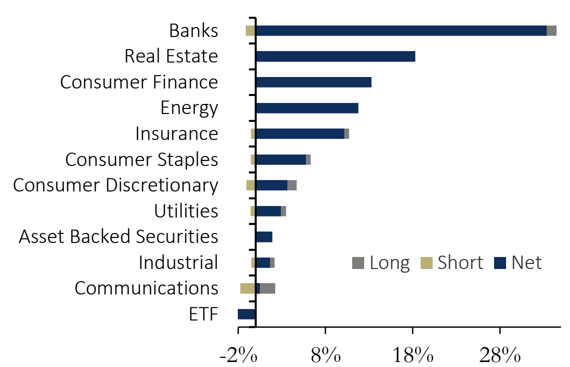
[1] As represented by the iShares Core Canadian Universe Bond ETF

FUND SUMMARY

KEY FACTS

NAV/UNIT (SERIES F)	$10.52
STRATEGY AUM	$425M
MANAGEMENT FEE (SERIES F)	0.80%
PERFORMANCE FEE	10% of any returns (net of MER) above the Hurdle Rate, subject to a high-water mark
HURDLE RATE	FTSE Canada All Corporate Bond Index
INTEREST RATE DURATION	0-3 years
LEVERAGE	1-3x
INVESTMENT-GRADE EXPOSURE	97%
CLASS F FUND CODE	CIG 4190 (C$) 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 February 28, 2021.

to bring a Limited Recourse Capital Note (LRCN) to market, deploying a structure successfully used by banks and energy companies as an alternative to Preferred Shares. The deal priced with a 3.625% coupon and attracted an impressive 50 buyers. The positive performance of that deal prompted Manulife to follow with its own $2 billion deal later in the month. The Manulife deal marks the largest LRCN transaction to date, and the broad buyer base suggests this innovative structure has become a widely accepted addition to the Canadian fixed income landscape.

RATES

In our 2021 outlook piece we discussed how core fixed income strategies were likely in for a rough ride this year, as interest rates corrected from the panic lows of 2020. With the vaccine rollout now in full swing, markets are beginning to visualize a more tangible return to normal economic activity. February saw the largest single-month move higher in 10-year Canadian government bond yields in over 20 years, and the rise in U.S. Treasury yields was similarly fierce. According to Bank of America data, implied volatility, which is used to price bond options, rose by 60% during the month, reflecting increased anxiety over the pace of the move. This anxiety is spilling over to other risk assets, including credit and equities, both of which came under pressure in the latter half of the month.

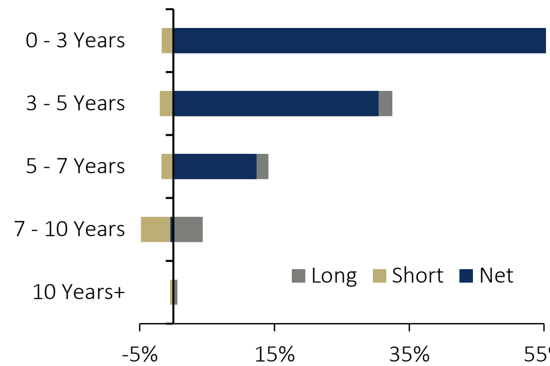
All eyes are on the U.S. Federal Reserve (the Fed), which so far has signalled it is comfortable with higher yields fuelled by improving economic conditions. But if a selloff in risk assets becomes more meaningful, we expect the Fed to support markets by shifting to a yield-targeted purchase program. This type of intervention has been used effectively by the Bank of Japan since 2016. When this shift occurs is anyone's guess, but for now the Fed seems content to play a game of chicken with bond investors. As the government unveils its latest $1.9 Trillion stimulus package, paid for by issuing yet more bonds, market participants are left wondering: if the Fed doesn't step in to buy more Treasuries at these prices, then who will?

PORTFOLIO THEMES

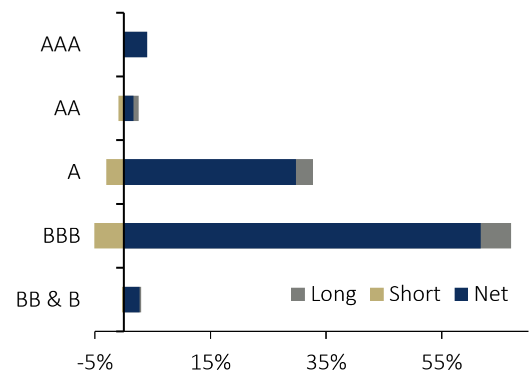
The positive performance early in the month drove credit spreads to new 12-month tights. We elected to sell into the strength and continued to reduce risk as markets turned lower later in the month. In particular, we reduced our holdings beyond 5 years, as we anticipate the additional rate volatility will impact intermediate spreads in particular. We remain overweight banks as they should benefit from broad economic re-opening and steeper yield curves. However, we did reduce our overall bank exposure in February following strong year-to-date performance and reflecting the repricing of interest rate hikes forward to 2023.

The portfolio benefitted from strong trading in the LRCN sector during the month fuelled by the successful insurance new issues described above. In addition, we saw contributions from our holdings in Ford credit, and from

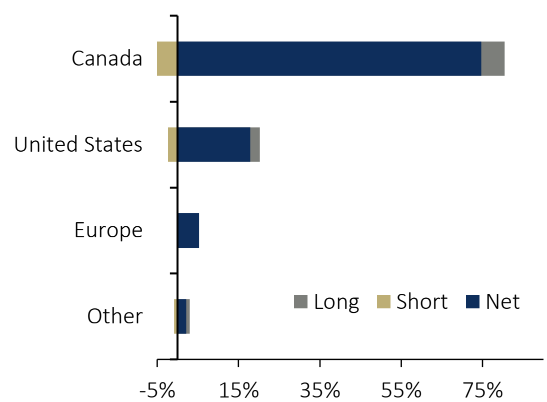
MATURITY BREAKDOWN



CREDIT QUALITY



GEOGRAPHIC BREAKDOWN



Sources: CI Global Asset Management and Lawrence Park Asset Management. Data as at February 28, 2021.

Inter Pipeline (IPL) following a hostile takeover bid from Brookfield, which drove IPL bonds higher. In both cases, we were selling into the strength.

OUTLOOK

The final week of February saw rate volatility meaningfully increase and spill over into credit markets. With the U.S. stimulus package passing through Congress, Treasury issuance looks set to increase, and government yields have yet to find a level that will attract sufficient buyers. We believe the Fed will ultimately implement yield curve control at some point this year, which should fuel another risk rally and send credit spreads tighter though the timing of that move is not clear. While rate volatility remains elevated, we believe it is prudent to maintain a lower overall risk profile. Since January, we have reduced our fund's sensitivity to credit spreads by approximately 35% by lowering leverage and shortening the average term of our holdings.

Reducing risk is not without cost, and our portfolio yield currently sits below our target range. However, we feel comfortable allowing the yield to fall while we await firmer credit conditions. This is a natural component of active management, and we are confident that opportunities to invest and trade for profit will present themselves throughout the year.

Source: Lawrence Park Asset Management, Bloomberg Finance L.P. as at February 28, 2021.

For more information, please visit ci.com.

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 March 10, 2021.