

# CI LIQUID ALTERNATIVE INVESTMENT STRATEGIES

## CI Alternative Investment Grade Credit Fund



**JUNE 2021**

CI 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 June 30, 2021)

	1 MONTH	3 MONTHS	6 MONTHS	YTD	1 YEAR	2 YEAR	SINCE INCEPTION
CI ALTERNATIVE INVESTMENT GRADE CREDIT FUND SERIES F*	0.00	0.57	1.49	1.49	9.64	4.30	4.44
FTSE CANADA ALL CORPORATE BOND INDEX	0.78	1.28	-2.26	-2.26	0.82	3.68	5.96

Source: CI Global Asset Management & Morningstar Research Inc. as at June 30, 2021. Inception date: November 7, 2018. \*Formerly CI Lawrence Park Alternative Investment Grade Credit Fund, renamed effective June 25, 2021.

### MONTHLY SUMMARY

A revision in forward looking rate policy by the U.S. Federal Reserve (the Fed) caused treasury curves to flatten in June and pushed short term bond yields higher. Global credit spreads finished the month modestly tighter, although Canada lagged due to heavy new issue supply. The CI Alternative Investment Grade Credit Fund was steady, with positive carry yield and active trading gains offset by wider spreads in Canada and rising short-term rates.

### CREDIT

The sharp move in rates caused some volatility in equity and currency markets, but credit spreads finished largely unchanged. Financials including hybrid capital notes (LRCNs) were a strong performer in June, as was Energy. Telecoms and REITs finished the month moderately wider, the latter due to fairly constant new issue supply here in Canada.

### RATES

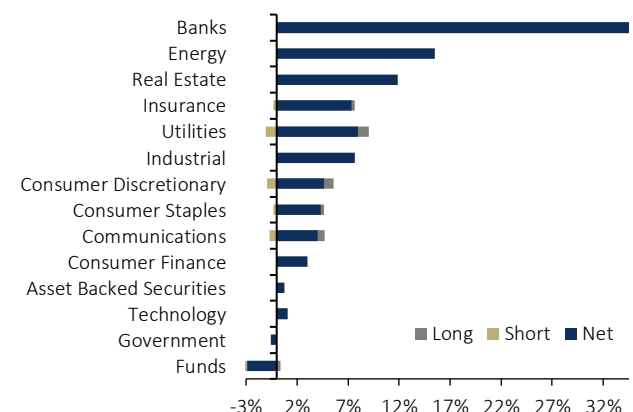
On June 16 the U.S. Federal Reserve released a revised set of forward rate guidance suggesting a more aggressive tightening stance in 2023. The news caught rates traders on the back foot, as most participants were expecting the next policy revision to come in the form of tapering or reducing its purchase of longer dated government and mortgage bonds. By signaling future interest rate hikes ahead of tapering, the Fed indicated it is not as willing to let inflation run unchecked. The news sparked a selloff in short-term Treasuries (3-5 year maturities) and a rally in longer dated Treasuries

### FUND SUMMARY

#### KEY FACTS

NAV/UNIT (SERIES F)	\$10.49
STRATEGY AUM	\$466M
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	94%
SERIES F FUND CODE	CIG 4190 (C\$) CIG 4194 (US\$)
SERIES A FUND CODE	CIG 2190 (C\$) CIG 2194 (US\$)
ETF TICKER	TSX: CRED (C\$ hedged) CRED.U (US\$ hedged)

### SECTOR BREAKDOWN



Source: CI Global Asset Management. Data as at June 30, 2021.

(10-30 year maturities). Canadian and other developed market government curves experienced similar moves.

### PORTFOLIO THEMES

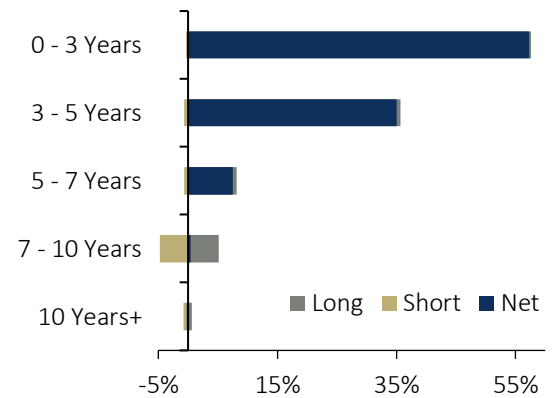
Although the Fund is designed to be primarily interest rate agnostic, we do not hedge every last dollar of rate risk; to do so would be costly both in terms of portfolio yield and transaction fees. The fall in bond prices due to rising short-term yields was a mild headwind for the portfolio in June, and offset gains generated through carry yield, spread tightening, and active trading. The carry yield on the portfolio increased as a result of the recent move in rates.

### OUTLOOK

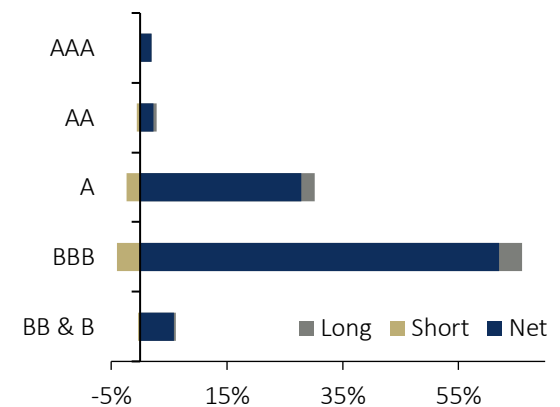
Should rate curves continue to flatten then lower all-in yields may prove a deterrent to corporate buyers, however our base case is that yields remain range-bound and corporate spreads can resume and grind tighter. Summer months typically see a slowdown in new issue activity which should allow secondary spreads to tighten. We are watching bank capitalization plans with interest, with dividend hikes and share buybacks expected to resume. We view such shareholder-friendly action as marginally negative for bank debt, however these moves are driven by impressive strength in bank balance sheets overall, and we do not anticipate adverse bondholder reaction unless the actions are deemed overly aggressive.

Source: CI Global Asset Management, Bloomberg Finance L.P. as at June 30, 2021.

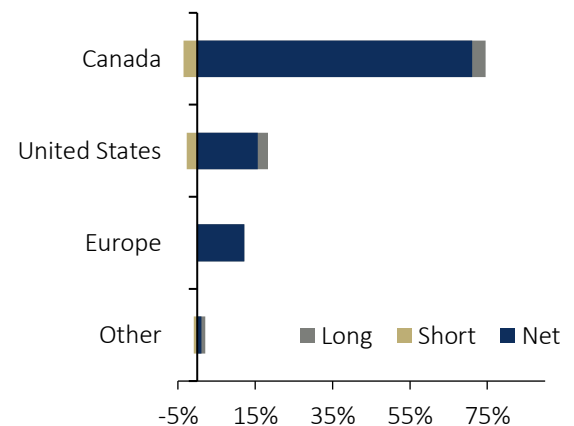
### MATURITY BREAKDOWN



### CREDIT QUALITY



### GEOGRAPHIC BREAKDOWN



Sources: CI Global Asset Management as at June 30, 2021.

## 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

**Liquidity:** The degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price. Cash is considered to be the most liquid asset, while things like fine art or rare books would be relatively illiquid.

**Volatility:** Measures how much the price of a security, derivative, or index fluctuates. The most commonly used measure of volatility when it comes to investment funds is standard deviation.

## IMPORTANT DISCLAIMERS

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.

CI Liquid Alternative investment funds have the ability to invest in asset classes or use investment strategies that are not permitted for conventional mutual funds. The specific strategies that differentiate these investment funds from conventional fund structure include: increased use of derivatives for hedging and non-hedging purposes; increased ability to sell securities short; and the ability to borrow cash to use for investment purposes. While these strategies will be used in accordance with the investments funds' investment objectives and strategies, during certain market conditions they may accelerate the pace at which your investment decreases in value.

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The comparison presented is intended to illustrate the historical performance of CI Alternative Investment Grade Credit Fund (the "Fund") as compared with the historical performance of a widely quoted market indices or a weighted blend of widely quoted market indices. There are various important differences that may exist between the Fund and the stated indices that may affect the performance of each. The objectives and strategies of the Fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indices. Indexes 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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Effective July 1, 2021, Lawrence Park Asset Management Ltd. amalgamated with CI Investments Inc., and CI Investments Inc. will provide portfolio management services to the fund.

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