

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

*For the week ended October 9<sup>th</sup>, 2020.*

Government bond yields, particularly in North America, remained focused on supply. The 3/10/30-year U.S. Treasury auctions combined with continued fiscal stimulus discussions in the U.S., kept yields moving higher in a bear steepening move. Ten-year government bond yields in the U.S., Canada, Germany and the U.K. were 8, 6, 1 and 3 basis points (bps) higher respectively over the week. There is no doubt that the 0.55% to 0.75% range that held in 10-year Treasuries for several months, has been broken. In our view, we are now in a 0.65% to 0.95% range. This dictates being slightly shorter in duration than we were over the course of September.

Risk assets seem content that there will be fiscal stimulus sooner or later, a COVID-19 vaccine will eventually emerge, the current rise in coronavirus cases globally will not be as detrimental to the economy as was in March and April, and the U.S. election result is less likely to be contested. Equities remained bid with most industrialized country stock markets rising 1.5% to 3.5% during the week, and investment grade corporate credit spreads tightened 8, 4, 5, and 4 bps in the U.S., Canada, Europe and the U.K. respectively based on the Bloomberg Barclays Aggregate Corporate Average OAS Index.

The notable economic release of the week was the Canadian employment report. The numbers were well above consensus, with employment gains of 378,000 versus 150,000 estimates. Additionally, the unemployment rate declined to 9.0% from 9.8%. Employment was strong across sectors but led by education, due to the reopening of schools, and the hotel and restaurant industries. The upbeat report may need to be tempered by the recent rise in coronavirus cases, which have resulted in the implementation of new provincial social distancing restrictions.

It was unexpectedly busier in the Canadian investment grade (IG) new issue market than anticipated. Below is a summary of the week's new issues:

- Crombie REIT \$150 million 2.686% 03/31/2028 +218.7 bps.
- Hydro One \$600 million 0.71% 01/16/2023 +50 bps
- Hydro One \$500 million 2.71% 02/28/2050 +140 bps
- Hydro One \$400 million 1.69% 01/16/2031 +105 bps
- Bank of Nova Scotia \$1.25 billion 1.40% 11/01/2027 +104.4 bps (bail-in)
- Foresters Financial \$250 million 2.885% 10/15/2035 +226.7 bps (subordinated, callable 2030).

- Heathrow Funding \$500 million 3.661% 01/13/2031 +305.8 bps.

The Fund participated in the Foresters new issue.

### Portfolio Transactions

Duration of the Funds ranged from 6.90 to 6.94 years (benchmark 7.05) during the period. We executed one sale in U.S. Treasury 30-year futures which was covered at a profit. It was a quiet week for the credit portfolio. In addition to new issue purchase noted above, we sold a modest amount of Charter Communications high yield issue.

### Portfolio Statistics

	CI Investment Grade Bond Fund		CI First Asset Investment Grade Bond ETF	
	October 2	October 9	October 2	October 9
Current Yield <sup>1</sup>	2.48%	2.48%	2.56%	2.56%
Duration	7.18 years	6.90 years	6.99 years	6.90 years

### Market Statistics

	October 2	October 9
Government of Canada 10-year yield	0.54%	0.60%
U.S. Treasury 10-year yield	0.70%	0.78%

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

### Standard Performance

Performance in %	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
CI Investment Grade Bond Fund Class F	5.4	4.5	4.6	N/A	4.6	12/24/2014
CI First Asset Investment Grade Bond ETF <sup>2</sup>	5.9	5.0	4.6	3.7	4.5	10/23/2009
Benchmark <sup>3</sup>	6.9	5.9	4.7	4.8	5.2	N/A

Source: RBC Investor Services as at September 30, 2020. Lawrence Park Strategic Income fund merged into CI Investment Grade Bond Fund effective November 22, 2019. Please refer to the Fund's simplified prospectus and fund facts on ci.com.

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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).

#### 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.

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.

Certain statements in this document are forward-looking. Forward-looking statements ("FLS") are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate," or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Investments Inc. and the portfolio manager believe to be reasonable assumptions, neither CI Investments Inc. nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless



required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI Investments Inc. has taken reasonable steps to ensure their accuracy.

This document is provided as a general source of information and should not be considered personal, legal, accounting, tax or investment advice, or construed as an endorsement or recommendation of any entity or security discussed. Every effort has been made to ensure that the material contained in this document is accurate at the time of publication. Market conditions may change which may impact the information contained in this document. All charts and illustrations in this document are for illustrative purposes only. They are not intended to predict or project investment results. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies.

CI Investments Inc. ("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 First Asset Exchange Traded Funds (ETFs) are managed by CI Investments Inc., a subsidiary of CI Financial Corp., which is listed on the Toronto Stock Exchange under the symbol "CIX".

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

CI Investments and the CI Investments design, Trusted Partner in Wealth are registered and unregistered trademarks of CI Investments Inc., its subsidiaries or affiliated entities. All other marks are the property of their respective owners.

©CI Investments Inc. 2020. All rights reserved.

Published October 14, 2020.