CI PRIVATE POOLS™

CI Global Investment Grade Credit Private Pool
First-quarter 2019 Commentary

Market Overview

In the first quarter of 2019, central banks, across developed markets, made an abrupt "U" turn to a dovish monetary policy bias. Concern about declining global economic growth, trade tensions, muted inflation and an inconclusive Brexit process were the factors behind the change in central bank forward guidance. Naturally, government bond yields rallied on these developments, with 10-year rates declining 28, 35, 31 and 28 basis points (bps), respectively, in the U.S., Canada, Germany and the U.K. during the quarter.

Risk assets (i.e., credit and equities) also responded positively to the change in central bank sentiment. Prospects of weaker economic growth were ignored in favour of more accommodative interest rate policy in developed markets and simulative growth initiatives in China. Major developed market equity indices had high single-digit to low double-digit returns over the quarter.

Investment-grade corporate credit spreads rallied, buoyed by strong foreign buying, a requirement for yield, reduced new issue supply and a reversal in fund flows from outflows to inflows. As measured by Bloomberg Barclays Aggregate Corporate Average indices, investment-grade corporate credit spreads tightened by 34, 22, 29 and 21 bps, respectively, in the U.S. Canadian, European and U.K. markets over the quarter. This represented about a 65% to 75% reversal of the widening in credit spreads that took place in the final quarter of 2018.

Fund Holdings

The inception date for CI Global Investment Grade Credit Private Pool (the "Fund") was October 26, 2018. Accordingly, through most of the first quarter of 2019, the Fund was in "ramp-up" mode, with small amounts of cash being invested gradually based on markets conditions.

The Fund derives its return from the movement in government bond yields and credit spreads.

The Fund's portfolio, on average, maintained a duration of approximately 5.22 years during the quarter.

Currency exposure (fully hedged) of the Fund portfolio's invested portion was 50% to the Canadian dollar and 13% to the U.S. dollar. Also, the portfolio's level of cash during the quarter was higher than we would have liked.

On average over the quarter, the Fund maintained a 3.4% exposure to corporate bonds.

Outlook

The dovish turn by central banks early in 2019 prompted not only a rally in government bond yields but simultaneously triggered an aggressive "risk-on" tone. Yet, the slowdown in global economic growth has not stabilized, corporate leverage remains elevated and corporate earnings continued to be revised lower. In our view, risk markets appear to be putting a lot of hope in an economic recovery in the second quarter of 2019 and throughout the second half of the year based on: 1) a timely and positive outcome to U.S.-China trade negotiations, 2) stimulative fiscal and monetary measures in China, 3) an approved Brexit, 4) a revival in euro-zone growth prospects, and 5) the ability of central banks to keep the global economy growing.

We expect the U.S.-China trade negotiations to be completed successfully (although much of this may already be priced into markets), and we do not believe there will be a hard Brexit. The key to the outcome that risk markets appear to be hoping and pricing for is China. The collective measures taken by the Chinese government to promote domestic growth and demand are pivotal. They must not only stimulate domestic demand but provide an economic growth impulse that reverberates externally. This may be a high bar as the current level of Chinese stimulus is well below the levels of 2009 and 2016, it is much more targeted and is largely focused on stimulating domestic demand. As a result, it may be less additive to global economic growth than anticipated.

Based on the above, we continue to have a below-consensus view on global economic growth, and we believe the price recovery in risk assets is a market correction, not a resumption of the bull trend. Accordingly, we believe it is prudent, late in the economic cycle, to increase the quality of the Fund's portfolio quality; that is, reduce credit, increase exposure to government bonds and actively manage duration.

In terms of interest rates, we believe the tenuous global growth backdrop keeps central banks biased to leave interest rates unchanged or to provide additional accommodation should market volatility rise. However, as markets are already starting to price in interest rate cuts and central banks are in data-dependent mode, we expect government bond yields to trade in broad ranges. This will increase opportunities to generate alpha through active duration management.

Sources used: Marret Asset Management Inc. and Bloomberg L.P.

IMPORTANT DISCLAIMERS

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded 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 dividends/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 are not guaranteed, their values change frequently and past performance may not be repeated.

The comparison presented is intended to illustrate the mutual fund's historical performance as compared with the historical performance of widely quoted market indices or a weighted blend of widely quoted market indices or another investment fund. There are various important differences that may exist between the mutual fund and the stated indices or investment fund, 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 indices or investment fund. Indices are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices.

The contents of this piece are intended for informational purposes only and not to be used or construed as an endorsement or recommendation of any entity or security discussed. The information should not be construed as investment, tax, legal or accounting advice, and should not be relied upon in that regard. 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. These investments may not be suitable to the circumstances of an investor. Some conditions apply.

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.

CI PRIVATE POOLS™

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. Market conditions may change which may impact the information contained in this document.

Marret Asset Management Inc. is a partly owned subsidiary of CI Financial Corp. and an affiliate of CI Investments Inc. Marret Asset Management Inc. is a portfolio sub-advisor to certain funds offered and managed by CI Investments Inc.

CI Private Pools is a trademark of CI Investments Inc.

Published April 26, 2019.

CI Investments® | Trusted Partner in Wealth™