

# CI Marret Alternative Absolute Return Bond Fund

(formerly Marret Alternative Absolute Return Bond Fund)

Management Report of Fund Performance for the period ended June 30, 2019

This semi-annual management report of fund performance contains financial highlights but does not contain the complete semi-annual or annual financial statements of the investment fund. You can get a copy of the semi-annual or annual financial statements at your request, and at no cost, by calling 1-800-563-5181, by writing to us at CI Investments Inc., 2 Queen Street East, Twentieth Floor, Toronto, ON, M5C 3G7 or by visiting our website at [www.ci.com](http://www.ci.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## RESULTS OF OPERATIONS

The net asset value of the Fund increased by \$68.8 million to \$74.4 million from December 31, 2018 to June 30, 2019. The Fund had net sales of \$67.4 million for the period. The portfolio's performance increased assets by \$1.4 million.

The first half of 2019 has been characterized by a slowdown in global growth and trade, with a particularly acute slowing in the manufacturing sector. In response to the slowdown in global growth, the softening of inflation dynamics in advanced economies, and the heightened uncertainty emanating from the U.S. Administration's trade policies, central banks have pivoted to a more accommodative monetary policy stance. The abrupt change in central bank policy, compared to the end of 2018, has caused both bond and risk markets to rally globally.

When growth rates and inflation are falling, interest rates tend to decline. Both these conditions were present during the first half of 2019 and interest rates fell throughout the period, which benefits securities that have duration exposure. Therefore, duration was the primary factor affecting performance during the period.

In response to the environment, which was one of weakening growth, falling inflation and accommodative central banks, government bond duration was increased in the Fund during the period to benefit from declining interest rates.

The Fund made investments in long-duration U.S. Treasury bonds to achieve the desired duration exposure.

## RECENT DEVELOPMENTS

The global growth backdrop continues to look vulnerable with a high degree of uncertainty. Central banks have suggested that easing policy may be the appropriate response in the coming period. The Fund continues to have exposure to duration, positioning it to benefit in an environment of weak growth, low inflation and accommodative central banks.

On July 25, 2019, the Manager announced that effective December 31, 2019, Ernst & Young LLP will replace PricewaterhouseCoopers LLP as the auditor to the Fund.

## RELATED PARTY TRANSACTIONS

### **Manager, Trustee and Registrar**

CI Investments Inc. is the Manager, Trustee and Registrar of the Fund. CI Investments Inc. is a subsidiary of CI Financial Corp. The Manager, in consideration for management fees, provides management services required in the day-to-day operations of the Fund. The Manager bears all of the operating expenses of the Fund (other than taxes, borrowing costs and new governmental fees) in return for a fixed administration fee.

Management fee and fixed administration fee rates as at June 30, 2019, for each of the classes are shown below:

	Annual management fee rate (%)	Annual fixed administration fee rate (%)
<b>Class A</b>	1.300	0.17
<b>Class F</b>	0.800	0.17
<b>Class I</b>	Paid directly by investor	-

The Manager received \$0.1 million in management fees for the period.

As of June 30, 2019, the Fund accrued \$215,691 in performance fees.

### **Management Fees**

Approximately 27% of total management fees were used to pay for sales and trailing commissions. The remaining 73% of management fees were used to pay for investment management and other general administration.

### **Portfolio Sub-Advisor**

Marret Asset Management Inc., an affiliate of CI Investments Inc., provides investment advice to the Fund.

### **Independent Review Committee**

The Fund received standing instructions from the Fund's Independent Review Committee (IRC) with respect to the following related party transactions:

- trades in securities of CI Financial Corp.; and
- purchases or sales of securities of an issuer from or to another investment fund managed by the Manager.

The applicable standing instructions require, amongst others, that related party transactions be conducted in accordance with the Manager's policies and procedures and applicable law and that the Manager advise the IRC of any material breach of such policies. The standing instructions also require that investment decisions in respect of related party transactions (a) are free from any influence by an entity related to the Manager and without taking into account any consideration relevant to an entity related to the Manager; (b) represent the business judgment of the Manager uninfluenced by considerations other than the best interests of the Fund; (c) are made in compliance with the Manager's policies and procedures; and (d) achieve a fair and reasonable result for the Fund. Transactions made by the Manager under the standing instructions are subsequently reviewed by the IRC on a quarterly basis to monitor compliance.

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The Fund relied on the IRC's standing instructions regarding related party transactions during this reporting period.

Except as otherwise noted above, the Fund was not a party to any related party transactions during the period ended June 30, 2019.

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## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past periods.

Net Assets per Unit (\$) <sup>(1)(2)(4)</sup>	Increase (decrease) from operations:					Distributions:					Net assets at the end of the period shown <sup>(2)</sup>	
	Net assets at the beginning of period <sup>(2)</sup>	Total revenue	Total expenses (excluding distributions)	Realized gains (losses) for the period	Unrealized gains (losses) for the period	Total increase (decrease) from operations <sup>(2)</sup>	From net investment income (excluding dividends)	From dividends	From capital gains	Return of capital		Total distributions <sup>(2)(3)</sup>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Class A</b>												
Commencement of operations October 30, 2018												
Jun. 30, 2019	10.03	0.11	(0.16)	0.17	0.35	0.47	-	-	-	-	-	10.40
Dec. 31, 2018	10.00	0.03	(0.02)	-	0.03	0.04	-	-	-	-	-	10.03
<b>Class F</b>												
Commencement of operations October 30, 2018												
Jun. 30, 2019	10.03	0.11	(0.15)	0.21	0.31	0.48	-	-	-	-	-	10.41
Dec. 31, 2018	10.00	0.04	(0.02)	-	0.05	0.07	-	-	-	-	-	10.03
<b>Class I</b>												
Commencement of operations October 30, 2018												
Jun. 30, 2019	9.94	0.11	(0.05)	0.13	0.25	0.44	-	-	-	-	-	10.38
Dec. 31, 2018	10.00	0.03	-	-	0.03	0.06	(0.07)	-	(0.05)	-	(0.12)	9.94

(1) This information is derived from the Fund's semi-annual and annual financial statements.

(2) Net assets per unit and distributions per unit are based on the actual number of units outstanding for the relevant class at the relevant time. The increase (decrease) in net assets from operations per unit is based on the weighted average number of units outstanding for the relevant class over the fiscal period.

(3) Distributions are automatically reinvested in additional units of the Fund.

(4) This information is provided for the period ended June 30, 2019 and the year ended December 31.

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## FINANCIAL HIGHLIGHTS (cont'd)

### Ratios and Supplemental Data <sup>(1)(5)</sup>

	Total net assets <sup>(5)</sup> \$000's	Number of units outstanding <sup>(5)</sup> 000's	Management expense ratio before taxes <sup>(2)</sup> %	Harmonized sales tax <sup>(2)</sup> %	Management expense ratio after taxes <sup>(2)</sup> %	Effective HST rate for the period <sup>(2)</sup> %	Management expense ratio excluding performance fees before taxes <sup>(2)</sup> %	Trading expense ratio <sup>(3)</sup> %	Portfolio turnover rate <sup>(4)</sup> %
<b>Class A</b>									
Commencement of operations October 30, 2018									
Jun. 30, 2019	11,135	1,071	2.21	0.19	2.40	13.05	1.47	0.01	200.66
Dec. 31, 2018	1,506	150	1.49	0.19	1.68	13.00	1.49	-	15.32
<b>Class F</b>									
Commencement of operations October 30, 2018									
Jun. 30, 2019	63,171	6,066	1.71	0.12	1.83	12.69	0.97	0.01	200.66
Dec. 31, 2018	3,987	397	0.97	0.13	1.10	13.00	0.97	-	15.32
<b>Class I</b>									
Commencement of operations October 30, 2018									
Jun. 30, 2019	105	10	0.74	-	0.74	-	-	0.01	200.66
Dec. 31, 2018	101	10	-	-	-	-	-	-	15.32

(1) This information is derived from the Fund's semi-annual and annual financial statements.

(2) Management expense ratio is calculated based on expenses charged to the Fund (excluding commissions and other portfolio transaction costs) and is expressed as an annualized percentage of daily average net assets for the period, including the Fund's proportionate share of any underlying fund(s) expenses, if applicable. The Effective HST tax rate is calculated using the attribution percentage for each province based on unitholder residency and can be different from 13%.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period, including the Fund's proportionate share of such expenses of any underlying fund(s), if applicable.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the fiscal period. The higher a Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a higher turnover rate and the performance of a Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, and excluding cash and short-term investments maturing in less than one year, and before assets acquired from a merger, if applicable, by the average of the monthly fair value of investments during the period.

(5) This information is provided for the period ended June 30, 2019 and the year ended December 31.

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## SUMMARY OF INVESTMENT PORTFOLIO as at June 30, 2019

Category	% of Net Assets	Category	% of Net Assets	Top 25 Holdings	% of Net Assets
<b>Country allocation</b>		<b>Sector allocation</b>			
<b>Long Positions</b>		<b>Long Positions</b>			
U.S.A.	53.3	Foreign Government Bonds	52.6	Government of Canada 2.25% 06/01/2029	24.7
Canada	27.8	Canadian Government Bonds	27.4	United States Treasury Note/Bond 2.375% 05/15/2029	19.8
Short-Term Investments	13.6	Short-Term Investments	13.6	Short-Term Investments	13.6
Cash & Equivalents	6.3	Cash & Equivalents	6.3	United States Treasury Note/Bond 2.625% 02/15/2029	6.8
Other Net Assets (Liabilities)	1.8	Corporate Bonds	1.9	United States Treasury Note/Bond 2.875% 05/15/2049	6.8
Foreign Currency Forward Contracts	1.0	Other Net Assets (Liabilities)	1.8	Cash & Equivalents	6.3
Netherlands	0.8	Foreign Currency Forward Contracts	1.0	United States Treasury Note/Bond 2.125% 03/31/2024	4.6
<b>Total Long Positions</b>	<b>104.6</b>	<b>Total Long Positions</b>	<b>104.6</b>	United States Treasury Note/Bond 2.875% 10/31/2020	4.3
<b>Short Positions</b>		<b>Short Positions</b>		United States Treasury Note/Bond 3.125% 11/15/2028	2.4
U.S.A.	(0.1)	Consumer Staples	(0.1)	United States Treasury Note/Bond 1.875% 01/31/2022	1.9
Exchange-Traded Fund(s)	(4.5)	Exchange-Traded Fund(s)	(4.5)	Government of Canada 2.75% 12/01/2048	1.7
<b>Total Short Positions</b>	<b>(4.6)</b>	<b>Total Short Positions</b>	<b>(4.6)</b>	United States Treasury Note/Bond 2.5% 01/31/2021	1.1
				United States Treasury Note/Bond 2.5% 12/31/2020	1.1
				Government of Canada 2% 06/01/2028	0.9
				United States Treasury Note/Bond 2% 05/31/2024	0.9
				United States Treasury Note/Bond 2.125% 05/31/2021	0.9
				Teva Pharmaceutical Finance Netherlands III B.V., 1.7% 07/19/2019	0.8
				United States Treasury Note/Bond 2.25% 04/30/2024	0.7
				United States Treasury Inflation Indexed Bonds 0.88555% 01/15/2029	0.5
				United States Treasury Note/Bond 2.625% 01/31/2026	0.5
				Tenet Healthcare Corp., 4.75% 06/01/2020	0.5
				United States Treasury Note/Bond 2.625% 12/31/2023	0.2
				Alimentation Couche-Tard Inc., 3.319% 11/01/2019	0.2
				OMERS Finance Trust 2.6% 05/14/2029	0.1
				United States Treasury Note/Bond 3.375% 11/15/2048	0.1
				<b>Total Net Assets (in \$000's)</b>	<b>\$74,411</b>

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund and updates will be available on a quarterly basis.

## A NOTE ON FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective," and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any

forward-looking statement made by the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchanges rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.