CI CANADIAN BOND FUND

Q1-2025 Commentary

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.
CI Canadian Bond Fund, Series F*	7.5%	2.6%	1.4%	1.6%	3.7%
Benchmark: FTSE Canada Universe Bond Total Return Index	7.7%	2.5%	0.9%	1.8%	4.5%

* Inception date: August 8, 2000. Formerly Signature Canadian Bond Fund, renamed effective July 29, 2021.
Source: CI Global Asset Management, as at March 31, 2025.

PERFORMANCE SUMMARY

- Over the first quarter of 2025, CI Canadian Bond Fund, Series F (the Fund) returned 1.8% compared to its benchmark, the FTSE Canada Universe Bond Total Return Index, which returned 2.0%.
- The Fund underperformed its benchmark during the quarter. Government bonds outperformed credit as investors sought quality. The Fund's underweight allocation to government bonds was offset by security selection. The Fund's overweight allocation to credit underperformed the benchmark in an increasingly volatile period.

CONTRIBUTORS TO PERFORMANCE

Holdings in Canada Housing Trust No. 1 4.25% Mar. 15, 2034 and Government of Canada (GoC) 2.5% Dec. 1, 2032 bonds contributed to the Fund's performance. Yields generally declined and bonds rebounded. The size of these positions combined with lower yields drove outperformance.

DETRACTORS FROM PERFORMANCE

The Canadian Imperial Bank of Commerce (CIBC) 4.00% 01/28/2082-2027, junior subordinated AT1 bond detracted from the Fund's performance. This bond has higher exposure to increasing bank risk. CIBC is one of the Canadian banks with the most domestic and least direct U.S. personal and commercial banking exposure, thus less diversified in the event of a slowing Canadian economy. In addition, with the lowest reset rate of CIBC's Additional Tier 1 securities, it has increasing extension risk.

A holding in Ford Credit Canada Co. 5.046% Jan. 9, 2032 bonds was another detractor from the Fund's performance. Auto credits were negatively impacted from the proposed U.S. tariffs, especially Ford, whose recent move to the investment-grade index from high yield leaves it more susceptible to disruptions from a balance sheet perspective. Additionally, the uncertainty around whether manufacturers or parts suppliers will decide to onshore more production into the higher-cost United States is having an effect on earnings forecasts.

PORTFOLIO ACTIVITY

During the quarter, we established a new Fund position in GoC 3.5% Sep. 1, 2029 bonds. It was added because the prospect of a tariff war led us to favour the middle of the yield curve where bonds should benefit from potential interest rate cuts by the Bank of Canada (BoC).

We eliminated the Fund's position in GoC 0.5% Sep. 1, 2025 bonds to extend into a one-year Canadian government bond.

MARKET OVERVIEW

Going into the period, the Fund was positioned to take advantage of an economic backdrop of moderate yet positive economic growth, expectations for further BoC interest rate cuts and continued strong demand for corporate credit. In addition, expectations for a business-friendly climate from the incoming Trump administration were high.

However, financial markets have been disappointed by the start of the Donald Trump presidency, with the S&P 500 Index down 4.6%, U.S. 10-year government bond yields down 36 basis points (bps) and the Canadian 10-year government bond yield down 26 bps. We attribute lower business confidence to the uncertainty caused by the U.S. administration's focus on cutting government programs, enacting tariffs on global trade partners, deporting immigrants and cutting taxes, than on fiscal conservatism, deregulation and following through on early expectations for more business-friendly policies.

The threat of U.S. tariffs on the automotive industry, steel and aluminum, and other resource sectors in Canada has citizens and companies forced to reconsider long-standing consumption and trade relationships. The probability of recession in Canada has risen, while the uncoordinated nature of announcements from the Trump administration has companies on hold as they await more certainty. Moreover, hard data may be starting to turn over in Canada, with the labour force declining in March 2025 after stalling in February 2025.

Central bankers around the world are in a difficult position, trying to balance the risk of slowing growth from a U.S. trade war against the inflationary effects of reciprocal tariffs in key industries and supply shocks from shifting global supply chains.

Further interest rate cuts in Canada should benefit government bonds. However, the prospect of tariff-driven inflation, emerging concerns about stagflation and shifting tone from the BoC may limit the upside in bonds that normally materialize when recession concerns take hold, especially in longer maturities.

Corporate spreads are approaching our full-year base case expectations of 10 to 20 bps wider sooner than expected, and the probability of further widening has risen given the increasing probability of a global trade war and recession. However, with the increased uncertainty, new issuance supply should adjust lower as companies delay merger and acquisition activity or capacity expansion in light of heightened uncertainty. Provided we avoid a global recession and merely experience a period of slow but positive growth as the Unites States negotiates with its key trading partners, we continue to see attractive relative value in credit.

We do, however, recognize that tariffs add uncertainty, which could continue to weigh on credit and hurt the growth outlook for companies. As such, we are taking a more balanced outlook in this environment and being more cautious by decreasing the Fund's credit weight and increasing quality within the portfolio.

Sources: CI Global Asset Management and Bloomberg Finance L.P.

GLOSSARY OF TERMS

Yield Curve: A line that plots the interest rates of bonds having equal credit quality but differing maturity dates. A normal or steep yield curve indicates that long-term interest rates are higher than short-term interest rates. A flat yield curve indicates that short-term rates are in line with long-term rates, whereas an inverted yield curve indicates that short-term rates are higher than long-term rates.

For more information, please visit ci.com.

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