# CI CANADIAN BOND FUND

## Q2-2025 Commentary

| FUND | 1 YEAR | 3 YEAR | 5 YEAR | 10 YEAR | S.I. |
|---|---|---|---|---|---|
| CI Canadian Bond Fund, Series F* | 5.9% | 4.3% | -0.1% | 1.7% | 3.7% |
| Benchmark: FTSE Canada Universe Bond Total Return Index | 6.1% | 4.3% | -0.4% | 1.9% | 4.4% |

* Inception date: August 8, 2000. Formerly Signature Canadian Bond Fund, renamed effective July 29, 2021.
Source: CI Global Asset Management, as at June 30, 2025.

### PERFORMANCE SUMMARY

- Over the second quarter of 2025, CI Canadian Bond Fund, Series F (the Fund) returned -0.7% compared to its benchmark, the FTSE Canada Universe Bond Total Return Index, which returned -0.6%.
- The Fund underperformed its benchmark. The Fund's holdings in Government of Canada (GoC) bonds detracted from performance as 10-year GoC yields rose 30 basis points. However, the Fund's overweight allocation to investment-grade credit contributed to performance.

### CONTRIBUTORS TO PERFORMANCE

Holdings in Great-West Lifeco Inc., Series 1 Dec. 31, 2081 (variable rate) and Royal Bank of Canada 6.698% contributed to the Fund's performance. These higher-yielding securities saw a drop in price in April following the U.S. tariff announcement. With the 90-day pause announced a week later, prices retraced most of the move through May and early June. Combined with the higher carry, the bonds contributed positively to the Fund's return.

### DETRACTORS FROM PERFORMANCE

Holdings in GoC 2.0% Dec. 1, 2051 and GoC 2.75% Dec. 1, 2055 detracted from the Fund's performance as longer-term government bonds underperformed amid rising yields.

### PORTFOLIO ACTIVITY

Canada Housing Trust No. 1 1.4% Mar. 15, 2031 was added to the Fund as part of a switch from another Canada Housing Trust bond with the same maturity date. There was a small pickup in yield by switching.

We eliminated the Fund's position in GoC 4.5% Nov. 1, 2025 as part of an extension trade into a one-year GoC bond.

### MARKET OVERVIEW

In Canada, tariffs and uncertainty are beginning to take a toll on the economy. Real gross domestic product declined in April and the flash estimate for May points to another contraction. Exports to the United States, which drive a significant portion of economic growth, are falling and second-quarter 2025 looks set for a contraction. Overall, employment has been holding up. However, this masks four consecutive declines in private employment through April in the Survey of Employment, Payrolls and Hours. Meanwhile, the Bank of Canada's (BoC) core measures of the consumer price index have been rising to start 2025 and sit uncomfortably high at 3.0%.

Elevated inflation has led markets to only price in one 0.25% interest-rate cut from the BoC this year despite weakening economic growth. Bonds yields are reacting to inflation and the risk from tariffs, which pushed yields higher in the second quarter following the U.S. administration's tariff announcement in April.

We added to the Fund's holdings in GoC and Canada Housing Trust bonds. Provincial bonds remain an underweight allocation because of generally weak provincial budgets, economic risks from tariffs and tight spreads. We reduced duration (sensitivity to interest rates) further amid inflation risks, bringing the Fund to slightly below neutral, from slightly long at the start of the period.

Going into the second quarter, we had a favourable view of credit, but with a bias toward caution as spreads had begun to widen out toward our full-year targets. The complete round trip we experienced during the quarter was dramatic, but we are back at the levels of our optimistic scenario for credit spreads. Corporate fundamentals and economic data have held up very well, but we feel that a slowing economy in the second half of 2025 and slightly higher inflation should cause a modest weakening of corporate earnings and, thus, wider credit spreads. As such, we are likely to reduce the Fund's overweight credit exposure, and tilt toward quality as the likelihood of spread widening through year-end is even greater.

Demand for corporate bonds remains strong, with relatively high absolute yields and solid corporate fundamentals. A strong technical environment continues to support the corporate bond market, in the form of high levels of maturities and higher coupon payments needing reinvestment, balanced against a solid but manageable level of new-issue supply.

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

**For more information, please visit ci.com.**

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