CI CANADIAN CORE BOND FUND

Q2-2025 Commentary

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.
CI Canadian Core Bond Fund, Series I*	7.2%	5.4%	1.0%	2.8%	4.1%
Benchmark: FTSE Canada Universe + Maple Bond Index	6.2%	4.4%	-0.3%	1.9%	3.4%

* Inception date: November 11, 2000.
Source: CI Global Asset Management, as at June 30, 2025.

PERFORMANCE SUMMARY

- Over the second quarter of 2025, CI Canadian Core Bond Fund, Series F (the Fund) returned -0.3% compared to its benchmark, the FTSE Canada Universe + Maple Bond Index, which returned -0.6%.
- The Fund outperformed its benchmark during the period. The Fund's overweight allocation to investment-grade credit contributed to performance, as did its allocation to preferred shares.

CONTRIBUTORS TO PERFORMANCE

Holdings in preferred shares issued by BCE Inc. Series AD and Series AB contributed to the Fund's performance. The holdings benefited as BCE bought back preferred shares and issued hybrid securities, while also cutting its common stock dividend in May. The communication services sector in Canada also benefited from its lower direct exposure to U.S. tariff risk.

DETRACTORS FROM PERFORMANCE

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

PORTFOLIO ACTIVITY

GoC 4.0% Mar. 1, 2029 was added to the Fund in advance of yields moving higher following the U.S. administration's tariff announcement in early April. It was added to reduce the Fund's duration (sensitivity to interest rates) and favour the middle of the yield curve.

We eliminated the Fund's position in GoC 0.25% Mar. 1, 2026 to help manage fund flows and duration.

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 form the BoC this year despite weakening economic growth. Bonds yields are reacting to inflation and the risk from tariffs pushing yields higher in the second quarter following the U.S. administration's tariff announcement in April.

We added to the Fund’s holdings in 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 further given 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.

Source: CI Global Asset Management

For more information, please visit ci.com.

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