CI CANADIAN LONG-TERM BOND POOL

Q2-2025 Commentary

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.
CI Canadian Long-Term Bond Pool, Series I*	3.4%	1.7%	-4.8%	N/A	0.3%
Benchmark: FTSE Canada Long Overall TR CAD	4.3%	3.5%	-3.7%	1.5%	1.0%

* Inception date: November 15, 2018
Source: CI Global Asset Management, as at June 30, 2025.

PERFORMANCE SUMMARY

- Over the second quarter of 2025, CI Canadian Long-Term Bond Pool, Series I (the Fund) returned -2.3% compared with its benchmark, the FTSE Canada Long Overall TR CAD, which returned -2.3%.

- The Fund performed in line with its benchmark during the period. An overweight allocation to investment-grade credit contributed to performance, while security selection detracted from the Fund's performance.

CONTRIBUTORS TO PERFORMANCE

Government of Canada (GoC) 3.25% Jun. 1, 2035 contributed to the Fund's performance as the holding was purchased near the end of the period, when yields were near their peak and subsequently declined. GoC 3.5% Dec. 1, 2057 also contributed to performance as the market timing of our purchases benefited the Fund.

DETRACTORS FROM PERFORMANCE

Holdings in GoC 2.75% Dec. 1, 2055 and GoC 2.75% Dec. 1, 2048 detracted from the Fund's performance as longer-term government bonds underperformed amid a rise in yields.

PORTFOLIO ACTIVITY

We purchased a new position in Province of Ontario 4.6% Dec. 2, 2055 for the Fund. It was added as a switch from long-term U.S. treasuries.

GoC 3.0% Jun. 1, 2034 was eliminated from the Fund to cover fund flows.

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 provincial bond holdings, but the exposure remains underweight because of generally weak provincial budgets, economic risks from tariffs and tight spreads. We reduced duration (sensitivity to interest rates) 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.

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

For more information, please visit ci.com.

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