CI ENHANCED GOVERNMENT BOND ETF (TSX: FGO, FGO.U)

MANAGER COMMENTARY

FEBRUARY 2025

MARKET COMMENTARY

February marked a shift in market sentiment, as the optimism of January gave way to caution. Strong labor data and positive sentiment had characterized the start of the year, but February saw investor confidence wane due to ongoing trade risks and concerns around tariffs.

In the US, growth expectations dimmed as trade tensions and the potential impact of tariffs took center stage. The AI sector was particularly volatile, with a sharp decline in stocks following DeepSeek's breakthrough, which threatened to disrupt the AI landscape. Microsoft CEO Satya Nadella added to the uncertainty, questioning the tangible value of AI software and warning that infrastructure development could outstrip software demand if investment didn't focus on practical applications.

US 10-year bond yields, which had peaked at 4.8% in January, fell and then rebounded to 4.6% in February, driven by a stronger CPI print and an impending tariff deadline. In Canada, the Bank of Canada took a cautious stance, cutting rates in late January due to tariff concerns. Markets remained on edge, awaiting further tariff announcements from President Trump.

Overall, February highlighted the growing uncertainty surrounding the trade war and its impact on business investment. The "Fog of Trump" continues to cloud the outlook, and unless US policies shift, the ongoing volatility from tariffs is likely to keep investor sentiment cautious. US rates may have room to fall if inflation or labor markets weaken, while Canadian rates appear attractive only if tariffs are fully implemented.

As markets navigate this uncertainty, the path forward remains unclear, with investors seeking clarity on trade and policy.

FUND POSITIONING

The Fund delivered strong performance in February, driven by its emphasis on government securities and underweight position in credit (~6.0% vs. ~25%). This positioning proved advantageous amid a flight to quality. Meanwhile, the credit market showed signs of weakness. We outperformed by tactically overweighting the U.S. yield curve, which we believe offers better relative value and optionality compared to Canada. Our 10-year exposures in both countries performed well. Initially, our average duration was 7.41 years, but as rates fell, we reduced it to 6.91. While we favor the U.S. curve for its relative value, we acknowledge that tariff risks are more significant for Canada. To balance our exposure, we ended the month with nearly equal U.S. and Canadian duration exposures. Our strategy aims to provide a stabilizing influence for portfolios heavily exposed to credit and broader risks, given many investors' current overweight positions in credit and the ongoing global easing cycle.

OUTLOOK

As we navigate the current market landscape, credit markets appear richly priced, with elevated volatility expected to persist.

The US market has shifted its focus from monetary policy to the Trump administration's tariff threats and executive orders. Although this policy shift has introduced uncertainty, it hasn't yet led to significant volatility. Markets remain in a benign trading environment, with rate curves reflecting a positive economic outlook. However, we believe the administration will continue to take bold steps to secure grand bargains, even if it means straining market sentiment, as long as markets remain somewhat calm.

Reshaping global trade could strengthen the US economy, but it also entails substantial risks. Tariffs, tax cuts, and targeted spending could trigger inflationary pressures, while changes to immigration and social policies could expose vulnerabilities in the labor market. The administration's unpredictability may erode investor confidence and weaken the broader economic outlook.

Treasury Secretary Scott Bessent's recent remarks imply that the administration is willing to tolerate short-term market volatility in pursuit of the Administration's broader objectives. In response, we're adopting a balanced approach while managing risk exposure in today's uncertain environment.

PORTFOLIO CHARACTERISTICS

Yield to Maturity	3.38%
Average Credit Rating	AAA-
Average Duration	6.89 years

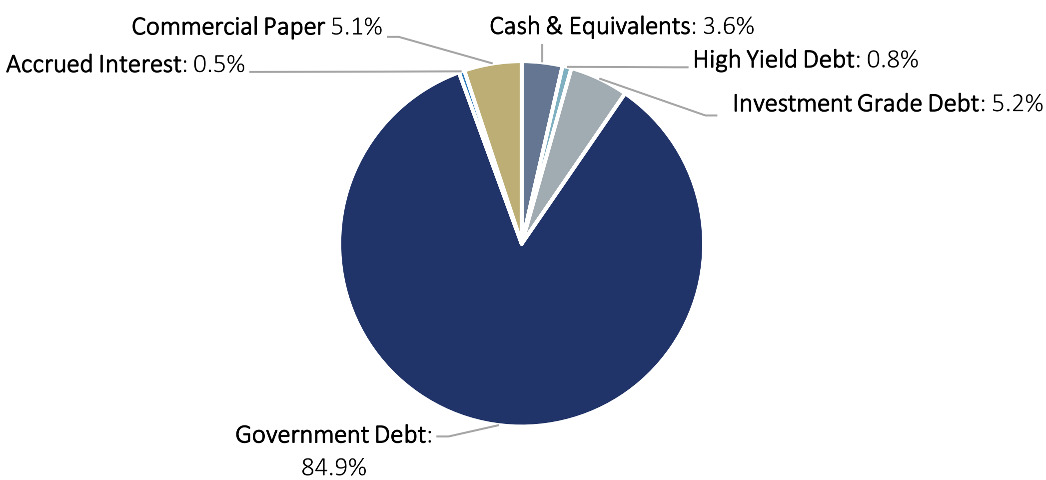
Source: Marret Asset Management Inc., as of February 28, 2025.

MATURITY BREAKDOWN

Years to Maturity	Government Bonds	Corporate Bonds
0 to 3	**4.86%**	**5.1%**
3 to 5	**13.3%**	**0.2%**
5 to 10	**57.8%**	**0.5%**
10+	**8.9%**	**0.3%**

Source: Marret Asset Management Inc., as of February 28, 2025.

ASSET CLASS BREAKDOWN



Source: Marret Asset Management Inc., as of February 28, 2025.

STANDARD PERFORMANCE

As of February 28, 2025	1m	3m	YTD	1y	3y	5y	Since Common Inception*
CI Enhanced Government Bond ETF	**2.0%**	**1.1%**	**2.8%**	**5.9%**	**0.4%**	**0.1%**	**1.7%**
FTSE Canada Universe Bond (CAD)	1.1%	1.6%	2.3%	8.5%	1.6%	0.5%	2.1%
Bloomberg US Agg Bond TR (USD)	2.2%	1.1%	2.7%	5.8%	-0.4%	-0.5%	1.7%

Source: Morningstar Research Inc., as of February 28, 2025. *Common inception: July 26, 2018.

Sources: Marret Asset Management Inc., Morningstar Research Inc., and Bloomberg Finance L.P., as of February 28, 2025.

GLOSSARY OF TERMS

Alpha: A measure of performance often considered the active return on an investment. It gauges the performance of an investment against a market index or benchmark which is considered to represent the market's movement as a whole. The excess return of an investment relative to the return of a benchmark index is the investment's alpha.

Credit rating/risk: An assessment of the creditworthiness of a borrower in general terms or with respect to a articular debt or financial obligation. Credit risk is the risk of default on a debt that may arise from a borrower failing to make required payment.

Duration: A measure of the sensitivity of the price of a fixed income investment to a change in interest rates. Duration is expressed as number of years. The price of a bond with a longer duration would be expected to rise (fall) more than the price of a bond with lower duration when interest rates fall (rise).

Volatility Measures how much the price of a security, derivative, or index fluctuates. The most commonly used measure of volatility when it comes to investment funds is standard deviation.

Yield to maturity (YTM): The total expected return from a bond when it is held until maturity – including all interest, coupon payments, and premium or discount adjustments.

IMPORTANT DISCLAIMERS

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund and exchange-traded fund (ETF) investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compound total returns net of fees and expenses payable by the fund (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds and ETFs are not guaranteed, their values change frequently, and past performance may not be repeated. You will usually pay brokerage fees to your dealer if you purchase or sell units of an ETF on recognized Canadian exchanges. If the units are purchased or sold on these Canadian exchanges, investors may pay more than the current net asset value when buying units of the ETF and may receive less than the current net asset value when selling them.

This document is provided as a general source of information and should not be considered personal, legal, accounting, tax or investment advice, or construed as an endorsement or recommendation of any entity or security discussed. Every effort has been made to ensure that the material contained in this document is accurate at the time of publication. Market conditions may change, which may impact the information contained in this document. All charts and illustrations in this document are for illustrative purposes only. They are not intended to predict or project investment results. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies.

Certain statements in this document are forward-looking. Forward-looking statements ("FLS") are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe" or "estimate" or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Global Asset Management and the portfolio manager believe to be reasonable assumptions, neither CI Global Asset Management nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed, that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI Global Asset Management has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document.

The comparison presented is intended to illustrate the mutual fund's historical performance as compared with the historical performance of widely quoted market indices or a weighted blend of widely quoted market indices or another investment fund. There are various important differences that may exist between the mutual fund and the stated indices or investment fund, that may affect the performance of each. The objectives and strategies of the mutual fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indices or investment fund. Indices are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices.

Marret Asset Management Inc. is a portfolio sub-advisor to certain funds offered and managed by CI Global Asset Management.

CI Exchange-Traded Funds (ETFs) are managed by CI Global Asset Management, a wholly-owned subsidiary of CI Financial Corp. (TSX: CIX). CI Global Asset Management is a registered business name of CI Investments Inc.

Published on March 18, 2025.