CI ENHANCED SHORT DURATION BOND FUND (FSB)

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.

FUND SUMMARY

KEY FACTS	
NAV/UNIT (SERIES F)	$9.67
MANAGEMENT FEE (SERIES F)	0.60%
YTM	4.60%
AVERAGE CREDIT RATING	BBB+
AVERAGE DURATION	1.73 years
LIQUIDITY	Daily
SERIES F FUND CODE	CIG 4136 (C$) CIG 4137 (US$)
SERIES A FUND CODE	CIG 2136 (C$) CIG 2137 (US$)
ETF TICKER	TSX: FSB (C$ hedged) FSB.U (US$ hedged)

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

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 modestly outperformed its benchmark in February, as our shorter-duration credit positions remained stable, providing a steady yield. At the same time, our rates positions contributed to some relative outperformance. The credit duration started the month at 0.79 years. As volatility increased, we selectively added attractive front-end names. By month-end, credit duration had risen slightly to 0.84 years, while our overall credit weight stayed close to 56%. The portfolio continues to hold about 30% in government bonds, with approximately two-thirds of that exposure in U.S. government bonds, where we see more compelling relative value. As rates in both Canada and the U.S. declined due to tariff risks and other uncertainties, our rates exposures benefited, especially in 5-year Treasuries, where U.S. rates dropped by about 31 basis points in the month. We continue to view the strategy’s risk/reward as compelling, particularly given its relatively attractive yield and short average duration. Average duration ended the month at 1.73 years, (The Fund has a duration cap of 2 years).

OUTLOOK

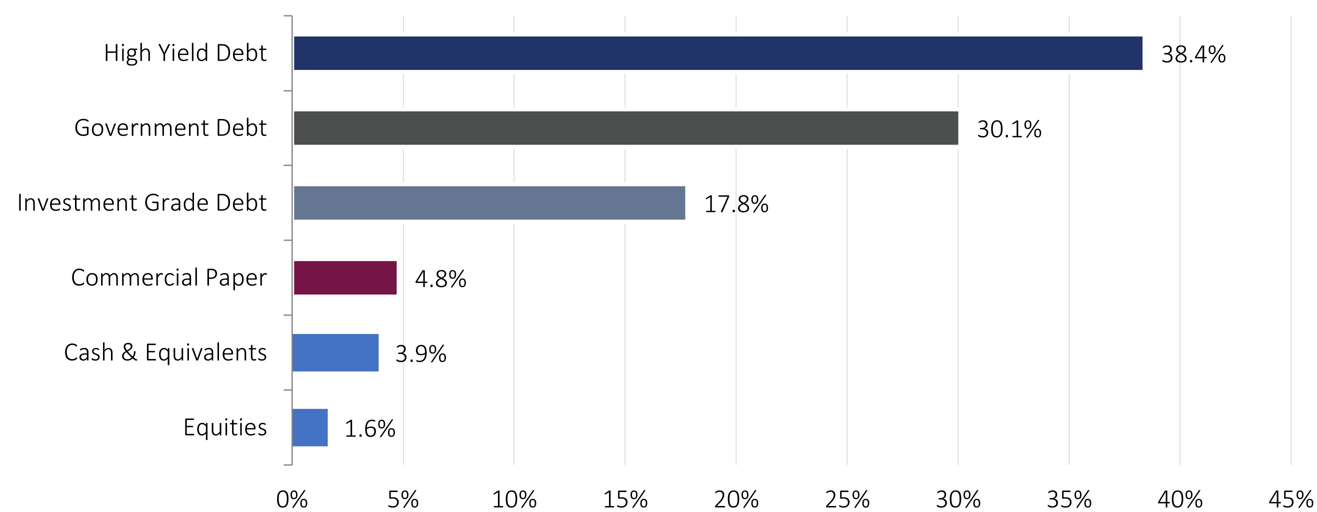
As we navigate the current market landscape, credit markets appear richly priced, with elevated volatility expected to persist. To mitigate these risks, we're positioning ourselves in higher-yielding, short-term credit positions that offer steady returns while minimizing exposure to broader credit risks. By balancing our structural credit base with tactical rate trades and some credit hedges, we're well-equipped to manage volatility and capitalize on potential downside risks as they emerge.

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 that prioritizes maintaining our structural carry while managing risk exposure in today's uncertain environment.

ASSET CLASS BREAKDOWN



Source: Marret Asset Management Inc., as of February 28, 2025. “Other” refers to a short CDX position (a reduction in credit exposure).

PERFORMANCE

As of February 28, 2025	1m	3m	YTD	1y	3y	5y	Since Common Inception*
CI Enhanced Short Duration Bond Fund (ETF Series)	**0.5%**	**1.2%**	**1.1%**	**5.4%**	**3.1%**	**2.6%**	**2.5%**
FTSE Canada Short Corporate TR Index	0.4%	1.8%	1.3%	8.4%	4.0%	2.9%	3.1%

Source: CI Global Asset Management and Morningstar Research Inc., as of February 28, 2025. *Common inception date: September 7, 2017.

Sources: Marret Asset Management, Morningstar Research Inc., 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 particular 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).

Liquidity: The degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price. Cash is considered to be the most liquid asset, while things like fine art or rare books would be relatively illiquid.

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.

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