CI ENHANCED SHORT DURATION BOND FUND (FSB)

MANAGER COMMENTARY

May 2025

MARKET COMMENTARY

Markets recalibrated in May as trade tensions eased but fiscal concerns took center stage. The month began with high anxiety over protectionism, but a series of de-escalatory steps - including a US-EU tariff delay and a 90-day US-China truce - offered temporary relief. A late-month US court ruling also blocked some sweeping tariffs, further softening the near-term threat. However, the broader unpredictability of trade policy continued to weigh on confidence.

With trade fears cooling, fiscal risks emerged as a topical market narrative. In the US, Moody's downgraded the federal credit rating to Aa1, citing a worsening debt outlook and political inaction. The passage of the "One Big Beautiful Bill Act," centered on extending the 2017 tax cuts, underscored concerns about deficit expansion. In Canada, Ontario's budget revealed worsening medium-term fiscal projections tied to tariff-response spending, while the federal government struck a tone of investment-led growth alongside operational restraint.

FUND SUMMARY

KEY FACTS	
NAV/UNIT (SERIES F)	$9.63
MANAGEMENT FEE (SERIES F)	0.60%
YTM	4.05%
AVERAGE CREDIT RATING	BBB
AVERAGE DURATION	1.39 years
LIQUIDITY	Daily
SERIES F FUND CODE	CIG 4136 (C$) 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 May 31, 2025

Central banks held steady in the face of crosscurrents. The Federal Reserve kept rates at 4.25-4.50%, acknowledging rising risks of both inflation and unemployment. While markets still expect some rate cuts this year, Fed officials emphasized caution. The Bank of Canada's May Financial Stability Report ("FSR") flagged rising market and household vulnerabilities. While a cautious easing bias had been signaled, the FSR underscored downside risks that could force further accommodation if trade tensions were to re-escalate.

Bond markets reflected this uncertainty. US Treasury yields rose across the curve, responding to both fiscal anxiety and a diminished likelihood of near-term cuts. Canadian yields climbed more modestly. Meanwhile, corporate credit spreads tightened, and equities rallied, suggesting that investors, for now, remain willing to look through macro headwinds.

Economic data pointed to slowing growth. US GDP was revised to -0.2% in Q1, and Canadian employment softened. Inflation moderated slightly in both countries, though core readings remain elevated. Lower oil prices from OPEC+ supply increases were offset by cost pressures tied to tariffs, leaving the inflation outlook still finely balanced.

FUND POSITIONING

The Fund generated positive returns and slightly outperformed its benchmark. Outperforming short duration high yield positions that benefitted from tightening credit spreads were mostly offset by government duration that underperformed as interest rates backed up. Amid the strong risk-on tone, the Fund took profits and reduced credit exposure by approximately 6% to roughly 59%. At the same time, credit duration declined by about 0.25 years to 0.80 years (from 1.05 years). Government bond exposure increased modestly from 15% to around 20% on the rate back up. Average duration was mostly unchanged at around 1.4 years, remaining comfortably within the Fund's 2-year duration cap. Given the firm tightening in credit spreads, we ended the month in a more defensive position, as the risk/reward profile in credit became less favorable. The Fund's Yield to Worst closed the month at 4.19% - which we still view as attractive, considering the combination of easing rates in Canada and tighter credit spreads. Looking ahead to the second half of the year, we continue to see the Fund as a compelling lower risk, yield generation strategy in a volatile market.

OUTLOOK

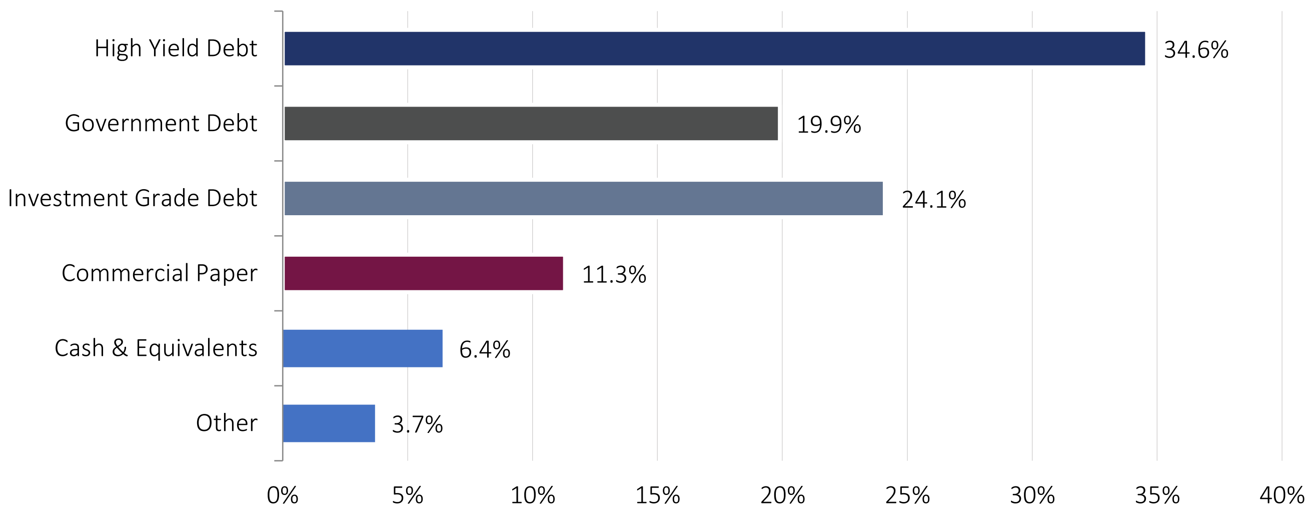
The near-term easing in trade tensions has offered relief to markets, but it may prove short-lived. Uncertainty around fiscal sustainability has quickly filled the vacuum, with the US downgrade highlighting the risks of continued deficit expansion amid rising rates. In Canada, fiscal slippage at both the federal and provincial levels will remain a concern.

Central banks are signaling patience, but their path forward is constrained. Sticky inflation and weakening growth point to a complex balancing act, where easing seems unlikely barring clearer data. Market expectations for rate cuts have moderated, and policymakers are likely to remain reactive to evolving conditions.

For investors, the current environment reinforces the need for flexibility. Elevated yields present selective opportunities to re-engage duration, particularly if fiscal concerns deepen. Credit is supported by carry and improving technicals but remains vulnerable to macro disappointments. High volatility in rates and policy require tactical positioning and a clear understanding of downside risks.

As the year progresses, attention will shift to whether fiscal profligacy or slowing growth emerges as the dominant force. Until then, maintaining liquidity and adaptability remains paramount, with a continued focus on navigating shifting policy landscapes and identifying risk-adjusted entry points as volatility creates dislocations.

ASSET CLASS BREAKDOWN



Source: Marret Asset Management Inc., as of May 31, 2025. “Other” refers to a short CDX position (a reduction in credit exposure).

PERFORMANCE

As of May 31, 2025	1m	3m	YTD	1y	3y	5y	Since Common Inception*
CI Enhanced Short Duration Bond Fund (ETF Series)	**0.47%**	**0.60%**	**1.67%**	**5.10%**	**3.75%**	**2.47%**	**2.48%**
FTSE Canada Short Corporate TR Index	0.42%	0.78%	2.12%	7.92%	5.34%	2.92%	3.08%

Source: CI Global Asset Management and Morningstar Research Inc., as of May 31, 2025. *Common inception date: September 7, 2017.

GLOSSARY OF TERMS

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).

Interest rate risk: Refers to the chance that investments in bonds will suffer, as the result of unexpected interest rate changes.

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.

IMPORTANT DISCLAIMERS

Published on June 16, 2025.