CI GLOBAL INVESTMENT GRADE CLASS

Q1-2025 Commentary

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.
CI Global Investment Grade Class, Series F*	6.8%	1.8%	2.5%	N/A	2.8%
Benchmark: ICE BofAML Global Corporate Total Return Index (85% CAD Hedged)	5.2%	1.8%	1.5%	N/A	2.0%

* Inception date July 4, 2016. Formerly Sentry Global Investment Grade Private Pool Class, renamed effective June 25, 2021.
Source: CI Global Asset Management, as at March 31, 2025.

PERFORMANCE SUMMARY

- Over the first quarter of 2025, CI Global Investment Grade Class, Series F (the Fund) returned 1.6% compared with is benchmark, the ICE BofAML Global Corporate Total Return Index (85% CAD Hedged), which returned 1.6%.

- The Fund performed in line with its benchmark, largely as a result of overweight allocations to both U.S. and Canadian government bonds.

- The Bank of Canada (BoC) made two 0.25% interest rate cuts during the quarter, taking the overnight lending rate to 2.75%. The 10-year Canadian government bond yield declined to 2.97%, and the 10-year U.S. Treasury rate declined to 4.21%, consistent with the rising risks of slower growth.

CONTRUBUTORS TO PERFORMANCE

The largest individual contributors to the Fund's performance were holdings in U.S. Treasury 3.875% Aug. 15, 2034 and Government of Canada 3.0% Jun. 1, 2034 bonds. Bonds in the 10-year area of the government bond curve benefited as interest rates fell. The Fund holds an overweight allocation to bonds with that specific term.

DETRACTORS FROM PERFORMANCE

The Fund's holding in Ford Credit Canada Co. 5.046% Jan. 9, 2032 bonds detracted from performance. The automotive industry was negatively impacted by the proposed Trump administration's tariffs, especially Ford, whose recent move to the investment-grade index from high yield leaves it more susceptible to disruptions from a balance sheet perspective. Additionally, the uncertainty around whether or not manufacturers or parts suppliers will decide to onshore more production into the higher-cost United States is having an effect on earnings forecasts. The Ford bonds are one of the largest and longest (in duration) auto holdings in the Fund, and therefore, the most sensitive to spread movements.

PG&E Corp. 6.75% Jan. 15, 2053 bonds was another detractor from the Fund's performance. While the California wildfires in January 2025 did not occur in PG&E's service territory, the bonds of all California-based transmission and distribution providers widened as investors began updating their risk assumptions across the sector.

PORTFOLIO ACTIVITY

We added a new position in Broadcom Inc. 5.2% Apr. 15, 2032 bonds to the Fund.

A holding in The Estée Lauder Cos. Inc. 1.95% Mar. 15, 2031 bonds was eliminated from the Fund after the company was still seeing weakness in its Asian travel market despite multiple quarters of poor earnings and revisions downward to its forecast. This made it evident that its turnaround plans had not taken hold.

MARKET OVERVIEW

The threat of U.S. tariffs on the automotive industry, steel and aluminum, and other resource sectors in Canada has citizens and companies forced to reconsider long-standing consumption and trade relationships. The probability of recession in Canada has risen, while the uncoordinated nature of announcements from the Trump administration has companies on hold as they await more certainty. Moreover, hard data may be starting to turnover in Canada, with the labour force declining in March 2025 after stalling in February.

Central bankers around the world are in a difficult position, trying to balance the risk of slowing growth from a U.S. trade war against the inflationary effects of reciprocal tariffs in key industries, and supply shocks from shifting global supply chains.

Further interest rate cuts in Canada should benefit government bonds. However, the prospect of tariff-driven inflation, emerging concerns about stagflation and shifting tone from the BoC may limit the upside in bonds that normally materialize when recession concerns take hold, especially in longer maturities.

Corporate spreads are approaching our full-year base case expectations of 10 to 20 basis points wider sooner than expected, and the probability of further widening has risen given the increasing probability of a global trade war and recession. However, with the increased uncertainty, new issuance supply should adjust lower as companies delay merger and acquisition activity or capacity expansion in light of heightened uncertainty. Provided we avoid a global recession and merely experience a period of slow but positive growth as the Unites States negotiates with its key trading partners, we continue to see attractive relative value in credit.

We do, however, recognize that tariffs add uncertainty, which could continue to weigh on credit and hurt the growth outlook for companies. As such, we are taking a more balanced outlook in this environment and being more cautious by decreasing the Fund’s credit weight and increasing quality within the Fund’s portfolio.

Source: CI Global Asset Management

Glossary:

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).

For more information, please visit ci.com.

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