CI INVESTMENT GRADE BOND FUND & CI INVESTMENT GRADE BOND ETF (TSX: FIG, FIG.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.

FUND SUMMARY

KEY FACTS	CI INVESTMENT GRADE BOND FUND (SERIES F)	CI INVESTMENT GRADE BOND ETF (FIG)
NAV/UNIT	$9.29	$9.58
MANAGEMENT FEE	0.75%	0.65%
YTM	4.22%	4.22%
AVERAGE CREDIT RATING	A-	A-
AVERAGE DURATION	4.9 years	4.9 years
LIQUIDITY	Daily	Daily
SERIES F FUND CODE	CIG 4185 (C$) CIG 4135 (US$)	N/A
SERIES A FUND CODE	CIG 2185 (C$) CIG 2135 (US$)	N/A
TICKER	N/A	FIG

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

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.

PORTFOLIO PERFORMANCE

CI Investment Grade Bond Fund (Series F)

In February, the Fund strongly outperformed its benchmark. We continue to remind investors that a global easing cycle is ongoing and for effective risk management maintaining government bond exposures remains important. While the strategy's allocation to government bonds may reduce the Fund's overall yield, it plays a key role in managing risk, enhancing portfolio stability, and offering flexibility in risk-off market conditions. We believe this risk management supports the Fund's potential for outperformance through the market cycle. As well, this view appears to have been validated by the market's risk tone in February, which prompted us to increase our average duration above the benchmark to 6.21 years (average government bond duration was taken up to ~8.38 years). Throughout most of the month, the portfolio maintained ~25% exposure to government bonds. This government exposure was a key factor in the Fund's strong performance, particularly in the 10-year area. As the month ended, we reduced duration to lock in gains and lowered our average government duration to ~3.85 years. Although tariff risks present a more significant challenge for Canada, we note that the Bank of Canada has pursued an aggressive easing cycle and may be nearing the neutral interest rate - barring the full implementation of tariffs by the Trump administration. Additionally, fiscal responses to tariffs and the impact of counter-tariffs could drive inflation, sending Canadian rates higher. Our current positioning is designed to preserve capital during periods of volatility, while also enabling the Fund to take advantage of opportunities when credit markets experience significant repricing.

CI Investment Grade Bond ETF

In February, the ETF strongly outperformed its benchmark. We continue to remind investors that a global easing cycle is ongoing and for effective risk management maintaining government bond exposures remains important. While the strategy's allocation to government bonds may reduce the Fund's overall yield, it plays a key role in managing risk, enhancing portfolio stability, and offering flexibility in risk-off market conditions. We believe this risk management supports the Fund's potential for outperformance through the market cycle. As well, this view appears to have been validated by the market's risk tone in February, which prompted us to increase our average duration above the benchmark to 6.21 years (average government bond duration was taken up to ~8.38 years). Throughout most of the month, the portfolio maintained ~25% exposure to government bonds. This government exposure was a key factor in the Fund's strong performance, particularly in the 10-year area. As the month ended, we reduced duration to lock in gains and lowered our average government duration to ~3.85 years. Although tariff risks present a more significant challenge for Canada, we note that the Bank of Canada has pursued an aggressive easing cycle and may be nearing the neutral interest rate - barring the full implementation of tariffs by the Trump administration. Additionally, fiscal responses to tariffs and the impact of counter-tariffs could drive inflation, sending Canadian rates higher. Our current positioning is designed to preserve capital during periods of volatility, while also enabling the Fund to take advantage of opportunities when credit markets experience significant repricing.

OUTLOOK

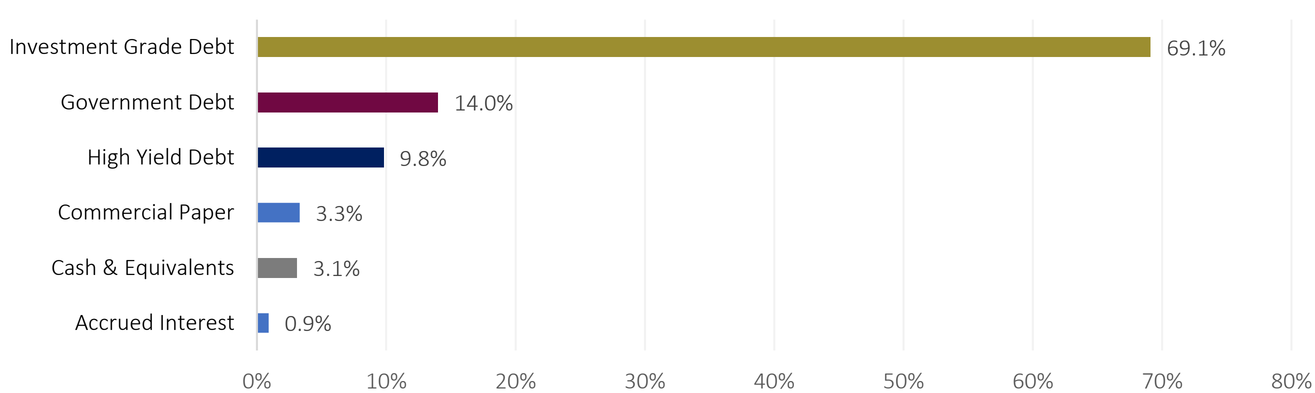
As we navigate the current market landscape, credit markets appear richly priced, with elevated volatility expected to persist. To mitigate these risks, we're positioning ourselves in higher-yielding, short-term credit positions that offer steady returns while minimizing exposure to broader credit risks. 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.

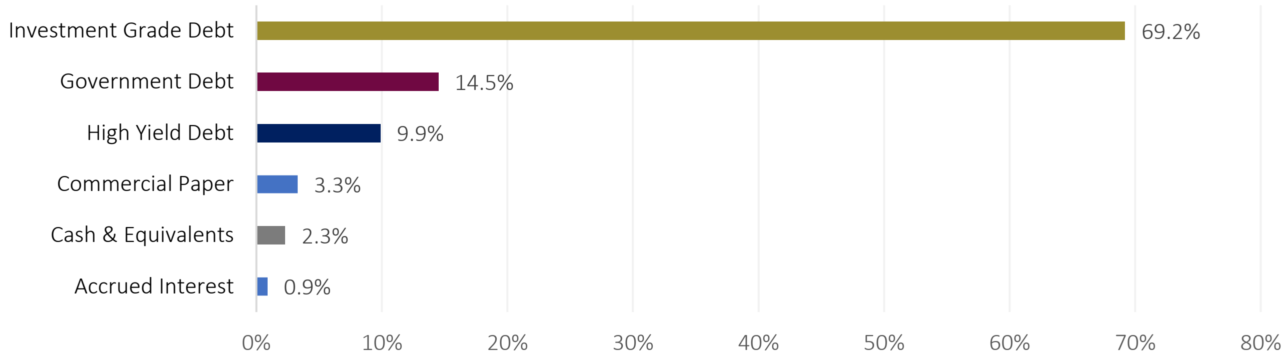
Treasury Secretary Scott Bessent's recent remarks imply that the administration is willing to tolerate short-term market volatility in pursuit of the Administration's broader objectives. In response, we're adopting a balanced approach that prioritizes maintaining our structural carry while managing risk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

CI INVESTMENT GRADE BOND FUND – ASSET CLASS BREAKDOWN



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

CI INVESTMENT GRADE BOND ETF (FIG) – ASSET CLASS BREAKDOWN



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

PERFORMANCE

As of February 28, 2025	1m	3m	YTD	1y	3y	5y	10y	Since Inception
CI Investment Grade Bond Fund (Series F)*	1.2%	1.3%	2.0%	7.8%	1.1%	0.2%	2.1%	2.4%
CI Investment Grade Bond ETF**	1.3%	1.4%	2.1%	8.1%	1.5%	0.6%	2.0%	3.2%
FTSE Canada All Corporate Bond Index	0.8%	1.7%	1.9%	9.5%	3.5%	2.1%	3.0%	N/A

Source: CI Global Asset Management and Morningstar Research Inc. as of February 28, 2025. *Inception date is December 24, 2014. **Inception date is October 23, 2009. Performance shown is net of fees and other costs.

Sources: Marret Asset Management, 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 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 Curve: A line that plots the interest rates of bonds having equal credit quality but differing maturity dates. A normal or steep yield curve indicates that long-term interest rates are higher than short-term interest rates. A flat yield curve indicates that short-term rates are in line with long-term rates, whereas an inverted yield curve indicates that short-term rates are higher than long-term rates.

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 March 18, 2025.