CI PREFERRED SHARE FUND

Q2-2025 Commentary

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.
CI Preferred Share Fund, Series F*	16.6%	8.8%	11.5%	N/A	6.7%
Benchmark: S&P/TSX Preferred Share Total Return Index	17.2%	8.8%	10.6%	4.7%	6.4%

* Inception date: December 21, 2015. Formerly Signature Preferred Share Fund, renamed effective July 29, 2021.
Source: CI Global Asset Management, as at June 30, 2025.

PERFORMANCE SUMMARY

- Over the second quarter of 2025, the Fund returned 3.7%, underperforming its benchmark, the S&P/TSX Preferred Share Total Return Index, which returned 4.6%.
- The Fund underperformed the benchmark given the Fund's 5% weight in less-risky bank institutional preferred shares, its cash allocation, and an underweight allocation to rate-reset preferred shares. Security selection within the perpetual preferred share sector also detracted from performance. Exposure to the U.S. dollar also detracted from performance as the currency declined.
- Financial markets were highly volatile following the U.S. administration's early April tariff announcement. Canadian preferred shares declined by 7.0% in the first eight trading days of April before rebounding 12.4% to close out the quarter up 4.6%. Overall, the preferred share market benefited from the increase in five-year Government of Canada (GoC) bond yields, to 2.82%.
- Investors also benefited as more than 2% of the preferred share market was redeemed, with the expectation of a further 5% of the market to redeem in the second half of 2025.

CONTRIBUTORS TO PERFORMANCE

BCE Inc. Series AB and Series AD floating rate preferred shares, which reset monthly at bank prime rate, contributed to performance. The Bank of Canada (BoC) held overnight rates steady at 2.75%, which left the prime rate unchanged at 4.95%. The steady interest rate was a positive for all floating rate preferred shares.

TC Energy Inc., Series 3 floating rate preferred shares, which reset quarterly above federal treasury notes, also contributed to performance. Like the BCE holdings noted above, these shares benefited from the BoC keeping interest rates unchanged.

DETRACTORS FROM PERFORMANCE

Enbridge Inc. 6.7037%, Series 1 rate-reset preferred shares detracted from the Fund's performance. The preferred shares generally had a good quarter but the company's U.S.-dollar preferred shares were negatively impacted as the U.S. dollar fell 5.4%. The U.S. dollar declined as it appeared that international investors increased their currency hedges on U.S. assets.

Citigroup Capital XIII, Series N floating rate preferred shares detracted from performance. Like the Enbridge holding noted above, these shares are in U.S. dollars and were negatively affected by the relative weakening of the U.S. dollar.

PORTFOLIO ACTIVITY

There were no notable transactions made during the quarter.

MARKET OVERVIEW

Uncertainty remains elevated amid concerns over reciprocal tariffs being implemented, as well as from geopolitical unrest, the U.S. budget bill driving deficits higher, and concern over the U.S. administration potentially replacing U.S. Federal Reserve Board (Fed) chair Jerome Powell before his tenure ends.

The Fed kept overnight interest rates steady at 4.50% as inflation persisted above the Fed's 2% target. The Fed noted the difficulty in assessing the path of inflation and the economy in this environment, and remains in a holding pattern until the impact of tariffs and uncertainty can be better assessed. The market is currently pricing in two 0.25% interest-rate reductions in 2025, and we believe that is likely to happen as the U.S. economy slows down.

The BoC kept the overnight interest rate steady at 2.75%, and the market is pricing in a further 0.25% interest-rate cut in 2025. The risk to the Canadian economy remains elevated if the United States follows through on its proposed tariff rates on Canadian imports. The BoC continues trying to balance supporting the economy against higher inflation expectations becoming engrained. We believe the BoC could be on hold until there is a clearer picture of a new trade deal with the United States, and/or the Fed begins lowering interest rates.

Globally, these concerns have been overlooked by riskier assets as companies continue to grow earnings and relatively high yields entice investors to the fixed-income market. Canadian preferred shares benefited from the rebound of riskier assets following the U.S. administration's tariff announcement on April 2, a modest increase in five-year GoC yields, and continued redemptions.

We remain positive on the market but are less enthusiastic than in the past year. Our outlook remains neutral to positive. The current preferred share yield of 5.8% remains attractive and we expect that rate-reset preferred shares should increase the current yield over the next couple of years, but not as much as originally projected, as price appreciation has pulled down future current yield. Redemptions of 5% in the second half of 2025 should keep the demand for preferred shares strong as investor hunt to replace redeemed shares. Our estimated return over the next 12 months is a healthy 5% to 7%.

Source: CI Global Asset Management

For more information, please visit ci.com.

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The comparison presented is intended to illustrate the Mutual Fund's historical performance as compared with the historical performance of widely quoted market indexes or a weighted blend of widely quoted market indexes. There are various important differences that may exist between the Mutual Fund and the stated indexes 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 indexes. Indexes are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indexes.

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