

# CI PREFERRED SHARE FUND

## Q4-2024 Commentary



FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.
CI Preferred Share Fund, Series F*	23.3%	3.3%	7.5%	N/A	6.3%
Benchmark: S&P/TSX Preferred Share Total Return Index	24.7%	2.7%	6.5%	3.1%	5.9%

\* Inception date: December 21, 2015. Formerly Signature Preferred Share Fund, renamed effective July 29, 2021.

Source: CI Global Asset Management, as at December 31, 2024.

### PERFORMANCE SUMMARY

- Over the fourth quarter of 2024, CI Preferred Share Fund, Series F (the Fund) returned 3.2% compared with its benchmark, the S&P/TSX Preferred Share Total Return Index, which returned 3.5%.
- The Fund underperformed the benchmark as a result of an overweight allocation to floating-rate securities and an underweight allocation to rate-reset preferred shares.

### CONTRIBUTORS TO PERFORMANCE

A holding in Enbridge Inc. 6.7037% Series 1 rate-reset preferred shares contributed to the Fund's performance. It continued to perform well as the demand for energy and pipeline capacity remained strong. For the second quarter in a row, this U.S.-dollar holding was a large weighting in the Fund, which helped it contribute to the Fund's performance.

Holding of rate-reset preferred shares (3.876% Series 5) issued by The Toronto-Dominion Bank also contributed to the Fund's performance. The bank posted solid earnings but continued to work to resolve its anti-money laundering issues. The bank did not redeem a similar preferred share in September 2024 but following its announced settlement with U.S. regulators, the bank decided to redeem the Series 5 preferred share on January 31, 2025. This resulted in a solid return.

### DETRACTORS FROM PERFORMANCE

The Fund's positions in 5.2% Series G and 5.15% Series T perpetual preferred shares issued by Great-West Lifeco Inc. detracted from performance. The company has been doing very well operationally, but perpetual preferred shares suffered during the quarter as interest rates moved higher.

### PORTFOLIO ACTIVITY

There were no notable transactions made during the quarter.

### MARKET OVERVIEW

Central banks in both Canada and the United States were able to cut interest rates as inflation continued to fall throughout 2024. However, in the U.S. inflation was somewhat sticky at above-target levels and markets have been adjusting to expectations for fewer interest rate cuts in 2025. The Bank of Canada's overnight lending rate is currently (as at the end of 2024) at 3.25% and markets are pricing in two 0.25% cuts in 2025. Meanwhile, the U.S. Federal Reserve Board's federal funds rate is at 4.50%, and markets are expecting one to two 0.25% cuts.

Canada faces several challenges in 2025, including reduced immigration, rising consumer mortgage payments and economic uncertainty related to the Trump Administration. The market is pricing in two more interest rate cuts, and economic challenges may necessitate more cuts.

The Canadian preferred share market has enjoyed a stellar 12 months, with the benchmark index up 24.7%. We have a positive outlook, as we believe returns are still going to be very good in absolute and relative terms, but much lower than in 2024. We estimate total returns in the range of 6%–8% over the next 12 months. The current yield of 5.88% remains attractive, and we expect that rate-reset preferred shares should increase the current yield over the next couple of years. Additionally, redemptions are estimated to total roughly 10% of the market, which should drive demand for the preferred share market.

Source: CI Global Asset Management

For more information, please visit [ci.com](https://ci.com).

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