CI CANADIAN INCOME & GROWTH FUND

Q2-2023 Commentary

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.
CI Canadian Income & Growth Fund, Series F*	8.3%	8.1%	4.6%	6.5%	7.1%
Benchmark: 35% S&P/TSX Composite Index, 25% MSCI ACWI Index, 20% FTSE Canada Universe Overall Bond Index, 20% BofAML U.S. High Yield Index	11.6%	6.5%	5.7%	7.7%	N/A

* Inception date: November 11, 2000. Formerly Signature Income & Growth Fund, renamed effective July 29, 2021.
Source: CI Global Asset Management, as at June 30, 2023.

PERFORMANCE SUMMARY

- In the second quarter of 2023, CI Canadian Income & Growth Fund, Series F (the Fund) returned 1.2% compared with its blended benchmark (35% S&P/TSX Composite Index, 25% MSCI ACWI Index, 20% FTSE Canada Universe Overall Bond Index, 20% BofAML U.S. High Yield Index), which returned 1.1%.

- The Fund underperformed its benchmark primarily as a result of its underweight exposures to the consumer discretionary and information technology equity sectors, which rebounded during the period.

- Within the Fund's fixed-income holdings, security selection within corporate bonds contributed to performance, as did an underweight allocation to government bonds.

CONTRIBUTORS TO PERFORMANCE

The Fund's position in Advanced Micro Devices Inc. contributed to performance. The stock outperformed as market forecasts for microchip demand surged on expectations around the potential impact of artificial intelligence (AI) for chipmakers.

Another contributor to the Fund's performance was Microsoft Corp. Its share price rebounded on the general strength of the information technology sector and its own first-quarter results. Sentiment toward the stock was also helped by the opportunity that Microsoft has to gain future earnings from AI.

DETRACTORS FROM PERFORMANCE

A holding in Cenovus Energy Inc. detracted from the Fund's performance. Its share price declined amid broader weakness within energy markets, as concerns about global economic growth pushed oil and gas prices generally lower.

Another detractor from performance was JD.com Inc. The stock was negatively impacted by concerns about Chinese economic growth, regulatory intrusion into the firm's core markets and broader geopolitical considerations.

PORTFOLIO ACTIVITY

We added a new position in Stantec Inc. to the Fund. The Calgary-based engineering services firm was added to the Fund because its stock is likely to benefit from tightness in engineering markets and increased demand for its services as a result of broad infrastructure trends.

We sold a holding in Edwards Lifesciences Corp. for valuation reasons, as the company recovered from, and surpassed, its value prior to disappointing first-quarter results.

MARKET OVERVIEW

Despite much skepticism, global equity markets entered the latter half of 2023 in solid “bull market” territory, with many major global indexes up well over 20% from the lows of last October. We expect the upwardly trending market to continue its trajectory and broaden out as the expected economic recession has yet to materialize, inflation is continuing to decline and central banks’ interest-rate hiking cycles are at or nearing their end.

Canadian equity market returns have been more restrained, although the median stock in Canada finished the first half of the year with a better return than the index, following a period when large-capitalization financials and energy sector companies recorded tepid or negative returns. Canadian equities are inexpensive relative to international markets, particularly in comparison with the United States, and we expect better returns for Canada in the second half of the year.

We believe that the rebound and market leadership of information technology stocks experienced in the first half of 2023 is unlikely to continue. As such, we are comfortable with a higher allocation to companies and sectors with lower valuations and higher free cash flow yields. Given the valuation differential, the Fund maintains an overweight allocation to Canada. While some deterioration in Canadian consumers’ financial health is expected, given higher interest rates and high debt loads, this appears to be priced into much of the market.

Given our positive view on equity markets, the Fund has a moderate underweight allocation to fixed income, with most of the underweight coming from the government bond component. There is an expectation that the yield advantage offered by corporate bonds should continue to provide superior returns, even if interest-rate hiking cools in the medium term. However, over the course of the period, the duration of the Fund’s government bond component was extended to provide for additional returns if economic expectations disappoint or inflationary pressures continue to decline.

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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