

# CI CORPORATE BOND FUND

## Q3-2021 Commentary



FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I
CI Corporate Bond Fund, Series F*	7.9%	5.7%	4.9%	6.0%	5.6%
Benchmark: 50% ICE BofAML U.S. High Yield Total Return Index, 50% FTSE Canada Universe + Maple All Corporate Bond Total Return Index	1.1%	5.2%	4.0%	6.4%	5.9%

\* Inception date July 15, 2003. Formerly Signature Corporate Bond Fund, renamed effective July 29, 2021.  
Source: CI Global Asset Management, as at September 30, 2021.

### PERFORMANCE SUMMARY

- Over the third quarter of 2021, CI Corporate Bond Fund, Series F (the Fund) returned 0.8% compared with its benchmark, a 50/50 combination of the ICE BofAML U.S. High Yield Total Return Index and the FTSE Canada Universe + Maple All Corporate Bond Total Return Index, which was 1.4% over the same period.
- The Fund outperformed its benchmark, before fees, as a result of security selection and a short duration (sensitivity to interest rates) as government bond yields declined.

### CONTRIBUTORS TO PERFORMANCE

Barclays PLC 6.278% quarterly callable perpetual preferred shares contributed to the Fund's performance during the quarter. This legacy instrument has no Tier 1 capital value left in the global bank's capital stack. Despite the decline in interest rates, these long-dated instruments have performed well because of the potential for a near-term tender given their regulatory inefficiency, and their lack of make-whole language makes them less sensitive to higher interest rates. Commerzbank AG 8.151% Tier 1 trust preferred securities from Germany's second-largest bank also contributed to performance. This capital instrument is only grandfathered as Tier 1 capital until the end of 2021, at which point it effectively becomes expensive senior funding for the bank and is likely subject to either a make-whole redemption or tender process.

### DETRACTORS FROM PERFORMANCE

Macau gaming bonds, including a holding in Studio City International Holdings Ltd., came under pressure with the Chinese government's announcement of its intention to tighten its casino regulatory oversight in connection with the upcoming license renewals. The company is not expected to be significantly impacted given its existing Chinese ownership and bond spreads should tighten as uncertainty around license renewals fades. The Fund's cash level was low but still created a slight drag on performance.

### PORTFOLIO ACTIVITY

We added the secured 3.875% bonds of first-time issuer Medline Industries Inc., a market-leading medical products company. We began lowering the Fund's high-yield bond weighting toward the end of the period to align it with the new 40% ceiling on high-yield in the prospectus. During the period, we eliminated several bonds that were called, including Velvet Energy Ltd. 9.0% Sep. 20, 2023 and NuVista Energy Ltd. 6.5% Mar, 02, 2023.

## **MARKET OVERVIEW**

The impact of the COVID-19 delta variant may be greater than appreciated as transitory inflation could prove stickier as a result of supply chain disruptions and slowing economic growth. Whether Chairman Powell is renominated could weigh on markets as new U.S. Federal Reserve regimes tend to sideswipe the markets with communication mistakes. China's new policy emphasis could also weigh on global growth and commodities. Given tighter spreads, we find ourselves more cautious than last year even as monetary and fiscal policy are expected to remain largely stimulative. Returns should be lower across asset classes in 2022 but should still reward careful security selection and perhaps, judiciously upgrading quality and moving to an overweight duration as interest rates back up. Careful due diligence, portfolio construction and idiosyncratic active risk-taking should reward investors.

Source: CI Global Asset Management



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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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