

CI CANADIAN INCOME & GROWTH FUND



Q1-2022 Commentary

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.
CI Canadian Income & Growth Fund, Series F*	10.6%	9.6%	7.2%	7.7%	7.7%
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	7.4%	8.4%	7.3%	8.6%	N/A

* Inception date: November 11, 2000. Formerly Signature Income & Growth Fund, renamed effective July 29, 2021.
Source: CI Global Asset Management, as at March 31, 2022.

PERFORMANCE SUMMARY

- In the fourth quarter of 2021, CI Canadian Income & Growth Fund, Series F (the Fund) returned -1.0% 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 -2.8%.
- The Fund outperformed its benchmark primarily as a result of its overweight exposure to equities and underweight allocation to fixed income securities. Security selection in both equity and fixed income components contributed to performance.
- An overweight equity allocation to the energy sector also contributed to performance.

CONTRIBUTORS TO PERFORMANCE

The Fund's position in Canadian Natural Resources Inc. contributed to performance. Its stock benefited from a rising energy market as well as execution of its corporate strategy. Its operations have run smoothly, and the company took advantage of the pandemic environment to make acquisitions. Its stock also benefited from the announcement of a dividend increase of 38% earlier this year after increasing it over 25% last year. The company also enhanced its share buyback plan, using 50% of its free cash flow after dividends and maintenance capital.

Another contributor to the Fund's performance was Manulife Financial Corp. Its shares returned almost 12% over the period, a strong result given the company's high sensitivity to global equity markets, which were not supportive. The company's strong performance was supported by an undemanding valuation and recognition that long-term interest rates can increase from low levels and reduce perceived risks in the global life insurance industry. We believe the company has managed the business well in a challenging environment and we anticipate improved success as pandemic-related economic challenges moderate in the coming year.

DETRACTORS FROM PERFORMANCE

A holding in Sony Corp. detracted from the Fund's performance. It had positive momentum over the past year amid excitement related to a new gaming console cycle. However, during the period, its stock weakened as investors raised concerns over potential structural changes in the gaming market. Concerns were first raised with Microsoft Corp.'s intention to purchase Activision Blizzard Inc. Questions were raised about Microsoft potentially using the acquisition to acquire more exclusive content thereby making Sony's PlayStation console less attractive. Sony responded by announcing its intent to purchase Bungie Inc., which escalated concerns over an all-out battle for gaming content.

Another detractor from performance was Shopify Inc., which was under selling pressure as it shifts from high growth, fueled by the pandemic, to a period where expenses are likely to grow faster than revenue as it invests in longer-term initiatives. While these expenditures should be viewed positively in the long term, as they should support continued ecommerce growth, its financial results and valuation will be pressured in the short term.

PORTFOLIO ACTIVITY

During the quarter, among other activities, we added a new position in Alphabet Inc. to the Fund following the information technology equity sell-off. It gave us an opportunity to add the holding at a discount to its historic levels. Given its search engine dominance and ongoing expected strength in cash flows and buybacks after pandemic lockdowns, we believe the company's current trading levels represent solid long-term value.

We sold a holding in Royal Bank of Canada because it reached our price target. While the company has a solid franchise, we believe that better opportunities existed elsewhere in the financial sector, both in Canada and globally.

MARKET OVERVIEW

In our view, considerable uncertainty is in store for financial market participants because of a number of uncommon developments, including high inflation, rising interest rates, geopolitical conflict and deglobalization.

In general, we view this backdrop as supportive of the Fund's overweight allocation to equities. The challenges of the pandemic are retreating in most major economies, while consumer and corporate balance sheets appear in good shape, wage growth is strong, and the level of unemployment is low. These factors, added to deferred investment and consumption, should provide for economic growth and reasonable performance of corporate earnings. While equity market valuations are not in tremendous value territory, and may be restrained by higher interest rates, valuations are reasonable in our view. Overall, this leaves us with a moderately positive outlook for positive equity market returns. We are particularly positive about Canada, where valuations are below comparable global market indexes. The Fund's tilt toward value-oriented stocks and its sector breakdown, with overweight exposures to energy and financials and underweight allocation to information technology, tends to do well in inflationary environments.

The backdrop of a decades-high level of inflation has inflicted large losses on nominal government bonds, whose yields remain well below the level of inflation. Because of inflationary pressures from supply chain challenges as well as price increases in power, labour and raw material prices, we expect central banks to increase interest rates to bring inflation under control. This may restrain returns within fixed income securities. However, it may happen that interest rate predictions may be overly aggressive, allowing for some positive returns and stability within the Fund's fixed income component. We have recently increased the Fund's allocation to fixed income to account for improved valuations and outlook, although we remain underweight the asset class. Within that component, the credit segment is particularly attractive given its higher yields and the positive economic backdrop that should allow for company revenues and earnings to stay strong.

Source: CI Global Asset Management

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

IMPORTANT DISCLAIMERS

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns net of fees and expenses payable by the fund (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all dividends/distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

This document is provided as a general source of information and should not be considered personal, legal, accounting, tax or investment advice, or construed as an endorsement or recommendation of any entity or security discussed. Every effort has been made to ensure that the material contained in this document is accurate at the time of publication. Market conditions may change which may impact the information contained in this document. All charts and illustrations in this document are for illustrative purposes only. They are not intended to predict or project investment results. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies.

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.

Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI Global Asset Management has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document.

Certain statements in this document are forward-looking. Forward-looking statements ("FLS") are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate," or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Global Asset Management and the portfolio manager believe to be reasonable assumptions, neither CI Global Asset Management nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

CI Global Asset Management is a registered business name of CI Investments Inc.

© CI Investments Inc. 2022. All rights reserved.

Published April 18, 2022