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**CI First Asset Investment Grade Bond ETF (TSX:FIG)**
**Manager Commentary**
**May 10, 2019**

As trade talks between the U.S. and China hit a speed bump this week, government bond yields globally moved to recent lows. Relative to two weeks ago, when we last wrote, 10-year government bond yields in the U.S., Canada, Germany and the U.K., respectively, are -3, 4, -2 and -1 basis points (bps). On the back of faltering U.S.-China trade talks, there was continued tepid inflation and weakness in equity markets, which have allowed the U.S. bond market to outperform other markets. Canada has been leading the pack lately in terms of performance, but today's release of April employment numbers has provided some cause for reflection for a bond market where the yield curve is inverted from one month out to 10 years.

The April employment report in Canada was a blockbuster on all accounts. Employment rose 106,500 versus a consensus estimate of 11,500 (the largest monthly increase in 43 years), the annualized unemployment rate declined to 5.7% from 5.8% and wages rose from 2.3% to 2.6%. There were no quirks in the figures as the guts of the report were all solid. Ahead of a large index duration extension at the end of the month, Canadian government bonds have been trading very technically with a strong underlying bid. April's employment numbers provided a bit of a reality check on both Canada's economic fundamentals (and market pricing) and the recent technical outperformance of the bond market relative to other markets.

The technical bid in the Canadian bond market is also evident in credit spreads. While investment-grade corporate credit spreads, based on the Bloomberg Barclays Aggregate Corporate Average OAS Indices, widened 6, 7 and 4 bps, respectively, over the past two weeks in the U.S., European and U.K. markets, they were unchanged in Canada. Although credit spreads globally are benefiting from a need for yield, reduced corporate supply, net new inflows and foreign buying, this technical support has been particularity intense in the Canadian market over the past few months.

New issue supply has been sparse, and there were only three new investment-grade corporate bond deals in the domestic market over the past two weeks. Details are as follows:

– WTH Car Rental, ULC, $200 million, 2.781%, 07/20/2024, +121 bps (asset-backed);
– OMERS Finance Trust, $1.0 billion, 2.60%, 05/14/2029, +91 bps; and
– Bell Canada, $600 million, 2.75%, 01/29/2025, +119.3 bps.

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CI First Asset Investment Grade Bond ETF (the "Fund") participated in the OMERS Finance Trust new issue.

**Portfolio Transactions**

Over the past two weeks, portfolio duration has ranged from 5.50 to 6.40 years. All of the futures and cash trades adjusting duration, with the exception of one, have been unwound at a profit. The remaining trade is at the money based on today's close. The OMERS Finance Trust new issue trade is the only change to the Fund's credit positions.

**Standard Performance**

| | Year-to-date | 1 Year | 3 Year | 5 Year | 10 Year | Since inception[1] |
|---|---|---|---|---|---|---|
| CI First Asset Investment Grade Bond ETF | 2.80 | 4.10 | 3.46 | 2.81 | N/A | 4.11 |
| Benchmark[2] | 4.33 | 5.77 | 3.50 | 3.85 | N/A | 4.86 |

Source: First Asset, as at April 30, 2019. [1] Since-inception date: October 23, 2009.

**Portfolio Statistics**

Government of Canada 10-year yield: April 26, 1.69%; May 10, 1.73%
U.S. Treasury 10-year yield: April 26, 2.50%; May 10, 2.47%

**Fund Specifics**

Current Yield[3]: April 18, 2.66%; May 10, 2.67%
Current Duration: April 26, 5.70 years; May 10, 6.34 years

The indicated rates of return are the historical annual compounded total returns, including changes in unit value and do not take into account sales, redemption or optional charges or income taxes payable by a security holder that would have reduced returns. Performance is calculated net of fees.

1. The Fund was originally launched as a TSX-listed closed-end fund on October 23, 2009, and converted into an exchange-traded fund on August 22, 2016. Performance shown is since inception of the closed-end fund. In connection with the conversion, and pursuant to unitholder approval, the annual management fee payable by the Fund to First Asset, as manager, was increased to 0.65% (from 0.50%) of the NAV per unit and certain changes were made to the investment objectives, strategies and restrictions applicable to the Fund. Material among these changes is that the Fund is no longer able to utilize leverage in its portfolio. Had these changes been in effect prior to this date, the performance of the Fund could have been different.

2. Use of Benchmark: The FTSE Canada All Corporate Bond Index is comprised primarily of investment-grade corporate bonds issued domestically and denominated in Canadian dollars. This index is used as a benchmark to

help you understand the Fund's performance relative to the general performance of high-grade Canadian corporate bonds.

3. Current Yield represents the gross yield on the Fund's underlying portfolio of securities. It is not the yield or distribution that investors will receive by virtue of an investment in the Fund.

*Manager's commentary is provided by Paul Sandhu, Vice-President and Portfolio Manager at Marret Asset Management Inc., the portfolio manager of CI First Asset Investment Grade Bond ETF.*

Sources: Bloomberg L.P., FTSE Russell and Marret Asset Management Inc., as at May 10, 2019.

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