CI First Asset Investment Grade Bond ETF (TSX:FIG)
Manager Commentary
May 31, 2019

Global trade tensions ratcheted a few notches higher this week. The discourse between China and the U.S. became more acrimonious, and the U.S. administration has now threatened trade tariffs against Mexico over immigration issues. Ten-year government bond yields in the U.S., Canada, Germany and the U.K. declined 19, 12, 8 and 7 basis points (bps), respectively, this week. Alongside the concerns over trade, the rally in government bond yields has been aided by continued weakness in the economic data and subdued inflation readings. The declines in May of the Chinese manufacturing Purchasing Managers' Index, from 50.1 to 49.4, and the German Consumer Price Index, from 2.0% to 1.4%, are stark illustrations of this.

U.S. Treasury 10-year bond yields have rallied about 35 bps this month. At current yields in the front end of the U.S. Treasury yield curve, the market is pricing in almost three full 25-bp cuts in interest rates by the U.S. Federal Reserve (the "Fed") over the next 18 months. This seems rather aggressive given recent U.S. economic data and the Fed's rather neutral policy stance on interest rate hikes. The bond market appears to be pricing in a great deal of fear over a slowdown in global growth and/or insurance against a decline in equities. It may be correct on both accounts. As we have pointed out repeatedly in our commentaries, global growth, having peaked in the fourth quarter of 2017, is on the decline. This week's close for the S&P 500 Index of below 2790 points, on a weekly and month basis, is technically very damaging. If a close below this level is maintained for a week, a 200–300-point drop, over the intermediate term, cannot be discounted.

The Bank of Canada (BoC) left interest rates unchanged this week. The BoC did acknowledge the slowdown in economic growth in the fourth quarter of 2018 and first quarter of this year was likely temporary and that recent data confirm that growth is picking up. But the BoC noted that escalating trade conflicts are heightening uncertainty about economic prospects. The BoC is clearly on hold regarding future interest rate hikes and monitoring developments in household spending, oil markets and global trade as key variables to any monetary policy adjustments.

Risk assets remained on the defensive given the above-noted developments. Major global stock market indexes (Nikkei 225, EURO STOXX 50, S&P 500 and S&P/TSX Composite) were each down 1.0% to 2.5% on the week. The U.S. investment-grade corporate credit default index (CDX) closed the week 4.5 bps wider. In cash credit, spreads based on the Bloomberg Barclays Aggregate Corporate Average OAS Indices, were 6, 5 3, and 4 wider, respectively, in the U.S., Canadian,

European and U.K. markets. This was the first week in several months that cash credit spreads in Canada showed signs of discernable widening.

With the June index extension and coupon payments in mind, new issue activity in the Canadian investment-grade corporate market heated up. An outline of this week's new issues is as follows:

– The Toronto-Dominion Bank, $1.75 billion, 2.496%, 12/02/2024, +102.7 bps
– Honda Canada Finance Inc., $500 million, 2.50%, 06/04/2024, +104 bps
– Choice Properties Real Estate Investment Trust, $750 million, 3.532%, 06/11/2029, +195 bps

CI First Asset Investment Grade Bond ETF (the "Fund") participated in the Choice Properties Real Estate Investment Trust issue.

Portfolio Transactions
The Fund's portfolio duration ranged from 6.2 to 6.7 years over the week. Five trades utilizing U.S. Treasury cash bond and futures trades were initiated to manage duration. Two of these trades were stopped out at minor losses while the other three were unwound at a profit.

In credit, we added the above-noted Choice Real Estate Investment Trust new issue to the Fund and sold half of the Fund's position in Inter Pipeline Ltd. hybrid securities due 2079.

Standard Performance

	Year-to-date	1 Year	3 Year	5 Year	10 Year	Since inception[1]
CI First Asset Investment Grade Bond ETF	4.48	5.24	3.83	2.96	N/A	4.25
Benchmark[2]	5.70	6.56	3.72	3.91	N/A	4.96

Source: First Asset, as at May 31, 2019. [1] Since-inception date: October 23, 2009.

Portfolio Statistics
Government of Canada 10-year yield: May 24, 1.61%; May 31, 1.49%
U.S. Treasury 10-year yield: May 24, 2.32%; May 31, 2.13%

Fund Specifics
Current Yield[3]: May 24, 2.67%; May 31, 2.62%
Current Duration: May 24, 6.24 years; May 31, 6.29 years

Note: 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 securityholder 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 31, 2019.

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Published June 5, 2019.

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