

# CI First Asset Preferred Share ETF

Management Report of Fund Performance for the period ended June 30, 2020

This semi-annual management report of fund performance contains financial highlights but does not contain the complete semi-annual or annual financial statements of the investment fund. You can get a copy of the semi-annual or annual financial statements at your request, and at no cost, by calling 1-800-563-5181, by writing to us at CI Investments Inc., 2 Queen Street East, Twentieth Floor, Toronto, ON, M5C 3G7 or by visiting our website at [www.firstasset.com](http://www.firstasset.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## RESULTS OF OPERATIONS

The Fund's net assets decreased by \$19.2 million to \$68.9 million from December 31, 2019 to June 30, 2020. The Fund had net redemptions of \$8.9 million for the period. The Fund paid distributions totalling \$1.9 million while the portfolio's performance decreased assets by \$8.4 million. The Fund returned -10.4% after fees and expenses for the six-month period ended June 30, 2020. Over the same time period, the Fund's benchmark returned -11.2%. The benchmark is the S&P/TSX Preferred Share Total Return Index (the Index or the Benchmark).

The first half of 2020 was a story of two halves driven by the COVID-19 pandemic and governments' responses to it. Overall, the Canadian preferred share market had very weak performance during the period. Markets for riskier assets were fairly stable until the middle of February when U.S. equities, as measured by the S&P 500 Index, reached an all-time high. Once the spread of COVID-19 took hold, financial markets unraveled over the next four weeks, bottoming out on March 23, 2020.

Governments' use of containment, social distancing and working from home strategies to combat COVID-19 had a major impact on the global economy. Monetary policies of cutting interest rates and implementing quantitative easing should prove helpful, but these were unable to fully counter the effects of shutting down major portions of the global economy. Both the Bank of Canada and the U.S. Federal Reserve Board cut overnight rates by 150 basis points (bps) during March and announced quantitative easing programs to support consumers and businesses with lower interest rates. Additionally, both central banks announced a number of programs to support the front end of the corporate lending market to ensure companies have access to credit. Five-year Government of Canada interest rates fell 132 bps to 0.37% during the period, given the recessionary environment.

Canadian preferred shares had a strong recovery in the second quarter of 2020, as riskier assets bounced back in response to significant monetary and fiscal support around the globe. Most of the recovery occurred in April as liquidity concerns were dealt with quickly by central banks flooding financial markets with cash as they ramped up quantitative easing programs.

In April, the Organization of the Petroleum Exporting Countries decided on a significant supply cut to bring the oil supply and demand equation into balance. Among institutional investors, sentiment improved in April as they saw a great buying opportunity. However, retail investors remained more cautious because of the volatility of financial markets.

The Fund's overweight position in the perpetual preferred share segment, and security selection within all segments, contributed to performance. The largest individual contributors to performance included floating rate preferred shares issued by Citigroup

Inc. Series N because of its large floating rate spread and a stronger U.S. dollar. The Fund's position in Synchrony Financial Series A rate reset preferred shares was another significant contributor to performance. George Weston Ltd. Series A perpetual preferred share holdings also contributed to performance. Like many other perpetuals, its steady dividend rate kept its return positive for the first half of the year. The company's food business and controlling ownership of Loblaw's provides relatively stable earnings during these turbulent times.

An underweight position in rate reset preferred shares relative to an overweight allocation to floating rate preferred shares detracted from the Fund's performance. The largest individual detractors from performance were Brookfield Property Partners L.P., Series P and C rate reset preferred shares, amid concerns over the coming North American recession related to COVID-19, as well as the future demand for office space in North America. Enbridge Inc. holdings also detracted from performance amid a decline in global oil prices, which had a negative impact on the energy sector and energy infrastructure segment. Fear of decreased oil demand and counterparty risk have affected companies like Enbridge Inc.

Bank of Nova Scotia, Series D and Y were eliminated following their announced redemption in mid-March. There was a short covering squeeze on these issues following the announcement as some investors believed the preferred shares would not be redeemed. At the end of March, the Fund's weighting in rate reset preferred shares was increased to take advantages of expected better returns as the economy reopens. Perpetual preferred shares were added to the Fund in April as they represented very good long-term value. The Fund's cash weighting was lowered by 4% to fund the purchases.

Overall, the Fund outperformed its benchmark for the period.

## RECENT DEVELOPMENTS

We remain positive on the Canadian preferred share market looking out over the next six to 12 months, based on the high current yield of 6.3%. This yield should remain attractive in what will be a low-yielding world for a number of years. Issuance should be very low and investor sentiment is expected to improve from low levels. Most of the liquidity premium associated with preferred shares has diminished, but there are certainly issuers that are suffering more than others. The preferred share market should remain volatile as the economy recovers and retail investors remain tentative towards the market.

Effective April 3, 2020, Stuart Hensman resigned as a member of the Independent Review Committee (IRC) of CI Funds and effective April 3, 2020, Donna Toth was appointed as a member of the IRC.

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## RELATED PARTY TRANSACTIONS

### **Manager, Portfolio Manager and Trustee**

CI Investments Inc. is the Manager, Portfolio Manager and Trustee of the Fund. CI Investments Inc. is a subsidiary of CI Financial Corp. The Manager, in consideration of management fees, provided management services required in the day-to-day operations of the Fund.

Management fee rate as at June 30, 2020, for the Class is shown below:

	Annual management fee rate (%)
Common Units	0.650

The Manager received \$0.2 million in management fees for the period.

### **Management Fees**

100% of total management fees were used to pay for investment management and other general administration.

### **Inter Fund Trading**

Inter fund trading occurs when a Fund purchases or sells a security of any issuer from or to another Fund managed by the Manager. These transactions are executed through market intermediaries and under prevailing market terms and conditions. The IRC reviews such transactions during scheduled meetings. During the period ended June 30, 2020, the Fund executed inter fund trades.

### **Independent Review Committee**

The Fund has standing instructions from the Fund's IRC with respect to the following related party transactions:

- a) trades in securities of CI Financial Corp.; and
- b) purchases or sales of securities of an issuer from or to another investment fund managed by the Manager.

The applicable standing instructions require, amongst others, that related party transactions be conducted in accordance with the Manager's policies and procedures and applicable law and that the Manager advise the IRC of any material breach of such policies. The standing instructions also require that investment decisions in respect of related party transactions (a) are free from any influence by an entity related to the Manager and without taking into account any consideration relevant to an entity related to the Manager; (b) represent the business judgment of the Manager uninfluenced by considerations other than the best interests of the Fund; (c) are made in compliance with the Manager's policies and procedures; and (d) achieve a fair and reasonable result for the Fund. Transactions made by the Manager under the standing instructions are subsequently reviewed by the IRC on a quarterly basis to monitor compliance.

The Fund relied on the IRC's standing instructions regarding related party transactions during this reporting period.

Except as otherwise noted above, the Fund was not a party to any related party transactions during the period ended June 30, 2020.

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## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past periods.

Net Assets per Unit (\$) <sup>(1)(2)(4)</sup>	Increase (decrease) from operations:					Distributions:					Net assets at the end of the period shown <sup>(2)</sup>	
	Net assets at the beginning of period <sup>(2)</sup>	Total revenue	Total expenses (excluding distributions)	Realized gains (losses) for the period	Unrealized gains (losses) for the period	Total increase (decrease) from operations <sup>(2)</sup>	From net investment income (excluding dividends)	From dividends	From capital gains	Return of capital		Total distributions <sup>(2)(3)</sup>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Common Units</b>												
Commencement of operations May 04, 2016												
Listed TSX: FPR												
Jun. 30, 2020	20.52	0.56	(0.08)	(0.10)	(2.55)	(2.17)	-	(0.42)	-	(0.04)	(0.46)	17.91
Dec. 31, 2019	20.56	1.10	(0.19)	(0.70)	0.83	1.04	-	(0.84)	-	(0.08)	(0.92)	20.52
Dec. 31, 2018	22.77	1.06	(0.21)	0.15	(2.37)	(1.37)	-	(0.79)	(0.17)	-	(0.96)	20.56
Dec. 31, 2017	21.39	1.06	(0.23)	0.53	0.91	2.27	-	(0.80)	(0.32)	(0.01)	(1.13)	22.77
Dec. 31, 2016	20.00	0.67	(0.15)	0.01	1.36	1.89	-	(0.34)	(0.08)	(0.12)	(0.54)	21.39

(1) This information is derived from the Fund's semi-annual and annual financial statements.

(2) Net assets per unit and distributions per unit are based on the actual number of units outstanding for the relevant Class at the relevant time. The increase (decrease) in net assets from operations per unit is based on the weighted average number of units outstanding for the relevant Class over the fiscal period.

(3) Distributions are automatically reinvested in additional units of the Fund.

(4) This information is provided for the period ended June 30, 2020 and the years ended December 31.

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## FINANCIAL HIGHLIGHTS (cont'd)

### Ratios and Supplemental Data <sup>(1)(5)</sup>

	Total net assets <sup>(1)</sup> \$000's	Number of units outstanding <sup>(1)</sup> 000's	Management expense ratio before waivers or absorptions after taxes <sup>(2)</sup> %	Management expense ratio after taxes <sup>(2)</sup> %	Trading expense ratio <sup>(3)</sup> %	Portfolio turnover rate <sup>(4)</sup> %	Closing market price (\$) <sup>(6)</sup> %
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### Common Units

Commencement of operations May 04, 2016

Listed TSX: FPR

Jun. 30, 2020	68,871	3,845	0.82	0.82	0.07	12.50	17.99
Dec. 31, 2019	88,143	4,295	0.87	0.87	0.05	51.46	20.40
Dec. 31, 2018	64,652	3,145	0.88	0.86	0.05	43.26	20.57
Dec. 31, 2017	68,199	2,995	0.95	0.94	0.06	48.47	22.80
Dec. 31, 2016	59,790	2,795	0.94	0.85	0.20	49.22	21.46

(1) This information is derived from the Fund's semi-annual and annual financial statements.

(2) Management expense ratio is calculated based on expenses charged to the Fund (excluding commissions and other portfolio transaction costs) and is expressed as an annualized percentage of daily average net assets for the period, including the Fund's proportionate share of any underlying fund(s) expenses, if applicable. The Effective HST tax rate is calculated using the attribution percentage for each province based on unitholder residency and can be different from 13%.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period, including the Fund's proportionate share of such expenses of any underlying fund(s), if applicable.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the fiscal period. The higher a Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a higher turnover rate and the performance of a Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, and excluding cash and short-term investments maturing in less than one year, and before assets acquired from a merger, if applicable, by the average of the monthly fair value of investments during the period.

(5) This information is provided for the period ended June 30, 2020 and the years ended December 31.

(6) Closing market price.

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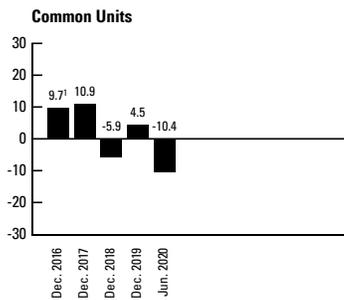
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## PAST PERFORMANCE

This section describes how the Fund has performed in the past. Remember, past returns do not indicate how the Fund will perform in the future. The information shown assumes that distributions made by the Fund in the periods shown were reinvested in additional units of the Fund. In addition, the information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance.

### Year-by-Year Returns

The following chart shows the Fund's semi-annual and annual performance for each of the periods shown and illustrates how the Fund's performance has changed from period to period. In percentage terms, the chart shows how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period, except where noted.



1 2016 return is for the period from May 11, 2016 to December 31, 2016.

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## SUMMARY OF INVESTMENT PORTFOLIO as at June 30, 2020

Category	% of Net Assets	Category	% of Net Assets	Top 25 Holdings	% of Net Assets
<b>Country allocation</b>		<b>Sector allocation</b>			
Canada .....	89.4	Financials .....	47.9	Citigroup Capital XIII, 7.87%, Preferred, Callable.....	3.7
U.S.A. ....	4.7	Utilities .....	18.7	Enbridge Inc., Preferred, Series '1', Variable Rate, Perpetual.....	3.5
Bermuda .....	3.7	Energy.....	13.6	Bank of Nova Scotia, Preferred, Series '32', Variable Rate, Perpetual .....	2.7
Cash & Cash Equivalents.....	2.1	Communication Services .....	6.5	Canadian Imperial Bank of Commerce, Preferred, Series '45', Variable Rate, Perpetual.....	2.3
Other Net Assets (Liabilities) .....	0.1	Consumer Staples.....	5.6	Cash & Cash Equivalents.....	2.1
		Real Estate.....	5.5	Loblaws Cos. Ltd., 5.30%, Preferred, Series 'B', Perpetual.....	2.0
		Cash & Cash Equivalents.....	2.1	Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '13', Variable Rate, Perpetual .....	1.8
		Other Net Assets (Liabilities) .....	0.1	Sun Life Financial Inc., 4.80%, Preferred, Class 'A', Series '2', Perpetual .....	1.7
				George Weston Ltd., 5.20%, Preferred, Series 'III', Perpetual.....	1.7
				Power Corp. of Canada, 5.60%, Preferred, Series 'A', Perpetual .....	1.6
				Manulife Financial Corp., 4.65%, Preferred, Class 'A', Series '2', Perpetual.....	1.6
				Bank of Montreal, Preferred, Class 'B', Series '25', Variable Rate, Perpetual .....	1.6
				Capital Power Corp., Preferred, Series '7', Variable Rate, Perpetual .....	1.6
				Sun Life Financial Inc., 4.45%, Preferred, Class 'A', Series '4', Perpetual.....	1.6
				Great-West Lifeco Inc., 5.20%, Preferred, Series 'G', Perpetual ..	1.5
				National Bank of Canada, Preferred, Series '38', Variable Rate, Perpetual .....	1.4
				George Weston Ltd., 5.80%, Preferred, Series 'I', Perpetual.....	1.4
				Toronto-Dominion Bank (The), Preferred, Series '24', Variable Rate, Perpetual.....	1.4
				Fortis Inc., 4.75%, Preferred, Series 'J', Perpetual.....	1.3
				Bank of Nova Scotia, Preferred, Series '33', Floating Rate, Perpetual .....	1.3
				TransAlta Corp., Preferred, Series 'E', Variable Rate, Perpetual...	1.3
				Brookfield Infrastructure Partners L.P., Preferred, Series '3', Variable Rate, Perpetual.....	1.3
				Capital Power Corp., Preferred, Series '3', Variable Rate, Perpetual.....	1.2
				Enbridge Inc., Preferred, Series '17', Variable Rate, Perpetual.....	1.2
				BCE Inc., Preferred, Series 'AC', Variable Rate, Perpetual.....	1.2
				<b>Total Net Assets (in \$000's)</b>	<b>\$68,871</b>

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund and updates will be available on a quarterly basis.

## A NOTE ON FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective," and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any

forward-looking statement made by the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchanges rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.