

# CI First Asset Enhanced Short Duration Bond 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 \$18.3 million to \$173.5 million from December 31, 2019 to June 30, 2020. The Fund had net redemptions of \$20.5 million for the period. The Fund paid distributions totalling \$2.3 million while the portfolio's performance increased assets by \$4.5 million. Common Units returned 2.1% after fees and expenses for the six-month period ended June 30, 2020. Over the same time period, the Fund's benchmark returned 3.6%. The benchmark is the FTSE Canada Short Term Corporate Bond Total Return Index (the Index or the Benchmark).

Please refer to the "Past Performance" section which outlines the performance of the Fund's other units.

Marret Asset Management Inc. is the portfolio manager (Portfolio Manager) to the Fund.

The economic shock of the global COVID-19 pandemic largely defined the performance of financial markets during the first half of 2020. As COVID-19 spread, governments grappled with the appropriate response to contain the situation, and many implemented large-scale social distancing restrictions. While the primary concern was the well-being of the population, the negative economic consequences of these actions were significant. In response to the shutdowns and health situation, riskier assets plunged, with investment-grade credit spreads widening over 240 basis points in a 20-day period. Policymakers responded to help counteract the demand shock, implementing aggressive fiscal and monetary policies in a coordinated global response. These swift actions, along with improving infection case numbers in certain regions and the prospects of re-opening, encouraged financial markets to recover sharply.

Decisions about cash balances and credit exposure had the largest contribution to the Fund's performance. The Fund had elevated cash levels prior to the March market downturn, which was used to purchase corporate credit investments as the market sold off. As financial markets recovered quickly, those purchases contributed to the Fund's performance. The largest individual contributor to performance was U.S. Treasury (1.6%, June 2021) as a result of declining interest rates.

The Fund's interest rate futures overlay detracted from performance. Individual detractors from performance included Bombardier Inc. (5.8%, March 2022) and Whiting Petroleum Corp. (5.8%, March 2021) as a result of business weakness related to COVID-19.

After the Fund's corporate debt positions were increased at the end of March, much of the quarter was generally spent reducing that exposure as credit spreads tightened. As supply increased in the high-yield market and spreads widened in June, some of the Fund's capital was redeployed. The Fund was focused on very short-dated corporate bonds of companies that have raised money to call their existing debt. These bonds offer a pick-up in yield versus the near-zero cash alternatives and very low volatility.

Overall, the Fund underperformed its benchmark for the period.

## RECENT DEVELOPMENTS

There remains a significant amount of uncertainty for both the economy and the evolution of the virus. The Portfolio Manager is closely watching for any growing stress on the health care system that may result in further lockdowns, and for positive developments in treatment solutions, which if successful, may provide a path to normalization. Additional uncertainties include the future path of fiscal support, the upcoming U.S. presidential election, and changes in the behaviour of consumers, businesses and investors as countries reopen.

Central banks have committed to a seemingly endless amount of policy support, which is expected to continue until economic health is restored. As a result, credit spreads are relatively attractive despite these mounting risks, as they remain above average. Nevertheless, the Fund maintains a bias towards quality for the core of the portfolio while focusing on diversification across fixed income as the impact on the economy and holdings is assessed. However, the Portfolio Manager is prepared to act tactically and add opportunities across the credit spectrum when they arise. As always, the Fund will be managed with a balanced and prudent approach.

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.

## RELATED PARTY TRANSACTIONS

### Manager and Trustee

CI Investments Inc. is the 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 rates as at June 30, 2020, for each of the Classes are shown below:

	Annual management fee rate (%)
Common Units	0.600
US\$ Common Units	0.600

The Manager received \$0.5 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.

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

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## **Portfolio Manager**

Marret Asset Management Inc. and Altrinsic Global Advisors, LLC, affiliates of CI Financial Corp., provide investment advice to the Fund. CI Financial Corp., an affiliate of CI Investments Inc., owns a majority interest in Marret Asset Management Inc. and a minority interest in Altrinsic Global Advisors, LLC.

During the period ended June 30, 2020, the lowest aggregated fair value amount of the leverage exercised by the Fund was \$3.0 million (1.8% of net asset value) and the highest aggregated fair value amount of the leverage used during the period was \$10.9 million (5.7% of net asset value).

## **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.

## **LEVERAGE**

When a Fund makes investments in derivatives, borrows cash for investment purposes, or uses physical short sales on equities or other portfolio assets, leverage may be introduced into the Fund. Leverage occurs when the Fund's notional exposure to underlying assets is greater than the amount invested. It is an investment technique that magnifies gains and losses. Consequently, any adverse change in the value or level of the underlying asset, rate or index may amplify losses compared to those that would have been incurred if the underlying asset had been directly held by the Fund and may result in losses greater than the amount invested in the derivative itself. Leverage may increase volatility, may impair the Fund's liquidity and may cause the Fund to liquidate positions at unfavorable times.

To achieve its investment objective the Fund exercises leverage through participating in short selling transactions.

The Fund may borrow cash up to a maximum of 20% of the Fund's net asset value and may sell securities short, whereby the aggregate market value of securities sold short will be limited to 20% of the Fund's net asset value. The combined use of short selling and cash borrowing by the Fund is subject to an overall limit of 20% of the Fund's net asset value.

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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>(5)</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 August 21, 2017												
Listed TSX: FSB												
Jun. 30, 2020	9.91	0.14	(0.04)	-	0.10	0.20	(0.09)	-	(0.04)	-	(0.13)	9.98
Dec. 31, 2019	9.82	0.32	(0.07)	0.32	(0.23)	0.34	(0.16)	-	-	(0.08)	(0.24)	9.91
Dec. 31, 2018	9.93	0.44	(0.08)	(0.38)	0.15	0.13	(0.39)	-	-	-	(0.39)	9.82
Dec. 31, 2017	10.00	0.10	(0.03)	-	(0.01)	0.06	(0.06)	-	-	(0.05)	(0.11)	9.93
<b>US\$ Common Units <sup>(5)</sup></b>												
Commencement of operations August 21, 2017												
Listed TSX: FSB.U												
Jun. 30, 2020	10.06	0.14	(0.04)	0.47	0.18	0.75	(0.09)	-	(0.04)	-	(0.13)	10.11
Dec. 31, 2019	9.90	0.33	(0.07)	0.04	(0.55)	(0.25)	(0.17)	-	-	(0.07)	(0.24)	10.06
Dec. 31, 2018	9.98	0.42	(0.07)	0.09	0.49	0.93	(0.39)	-	-	-	(0.39)	9.90
Dec. 31, 2017	10.00	0.13	(0.02)	(0.02)	(0.26)	(0.17)	(0.06)	-	-	(0.03)	(0.09)	9.98

(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.

(5) Per units amounts are presented in U.S. dollars.

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## FINANCIAL HIGHLIGHTS (cont'd)

### Ratios and Supplemental Data <sup>(1)(6)</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 August 21, 2017

Listed TSX: FSB

Jun. 30, 2020	152,264	15,250	0.74	0.74	0.14	228.50	10.00
Dec. 31, 2019	168,888	17,050	0.72	0.72	0.24	258.72	9.92
Dec. 31, 2018	255,389	26,000	0.77	0.77	0.03	271.22	9.76
Dec. 31, 2017	180,265	18,150	0.80	0.80	-	107.42	9.97

### US\$ Common Units <sup>(7)</sup>

Commencement of operations August 21, 2017

Listed TSX: FSB.U

Jun. 30, 2020	21,268	1,550	0.74	0.74	0.14	228.50	10.12
Dec. 31, 2019	22,863	1,750	0.70	0.70	0.24	258.72	10.05
Dec. 31, 2018	45,995	3,400	0.77	0.77	0.03	271.22	9.92
Dec. 31, 2017	46,930	3,750	0.87	0.87	-	107.42	9.94

(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.

(7) Per units amounts are presented in U.S. dollars.

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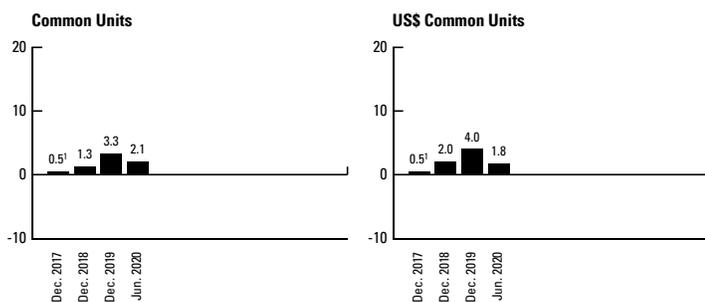
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## PAST PERFORMANCE

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 relevant Class 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 charts show the Fund's semi-annual and annual performance for each of the periods shown and illustrate how the Fund's performance has changed from period to period. In percentage terms, the charts show 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 2017 return is for the period from August 21, 2017 to December 31, 2017.

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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>			
<b>Long Positions</b>		<b>Long Positions</b>			
U.S.A.	52.1	Communication Services	21.6	Cash & Cash Equivalents	20.9
Cash & Cash Equivalents	20.9	Cash & Cash Equivalents	20.9	Short-Term Investments	8.6
Canada	19.5	U.S. Federal Bonds & Guaranteed	11.4	United States Treasury Bond, 1.63%, June 30, 2021	3.9
Short-Term Investments	8.6	Short-Term Investments	8.6	United States Treasury Bond, 1.13%, February 28, 2025	3.3
U.K.	0.7	Health Care	5.7	Level 3 Financing Inc., 5.38%, August 15, 2022	2.5
Other Net Assets (Liabilities)	0.4	Consumer Discretionary	4.9	CCO Holdings LLC / CCO Holdings Capital Corp., 4.00%, March 1, 2023	2.4
Ireland	0.4	Industrials	4.7	Government of Canada, 0.75%, September 1, 2020	2.3
Jersey	0.1	Energy	4.5	Sirius XM Radio Inc., 5.38%, April 15, 2025	1.9
Netherlands	0.1	Real Estate	4.2	CSC Holdings LLC, 10.88%, October 15, 2025	1.7
Liberia	0.1	Government of Canada & Guaranteed	3.9	Universal Health Services Inc., 4.75%, August 1, 2022	1.6
Cayman Islands	0.1	Consumer Staples	3.1	Sprint Communications Inc., 6.00%, November 15, 2022	1.4
Luxembourg	0.1	Information Technology	2.9	Inter Pipeline Ltd., 3.45%, July 20, 2020	1.3
<b>Total Long Positions</b>	<b>103.1</b>	Financials	2.6	Equinix Inc., 5.88%, January 15, 2026	1.3
		Utilities	1.9	Electronic Arts Inc., 3.70%, March 1, 2021	1.2
		Materials	1.8	Centene Corp., 4.75%, May 15, 2022	1.2
		Other Net Assets (Liabilities)	0.4	United States Treasury Bond, 0.50%, March 31, 2025	1.2
		<b>Total Long Positions</b>	<b>103.1</b>	Viterra Inc., 5.95%, August 1, 2020	1.2
				Netflix Inc., 5.38%, February 1, 2021	1.1
				United States Treasury Bond, 1.75%, December 31, 2024	1.0
<b>Short Positions</b>		<b>Short Positions</b>		Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer (Luxembourg) SA, Floating Rate, 4.80%, July 15, 2021	1.0
U.S.A.	(0.7)	Government of Canada & Guaranteed	(2.0)	CVS Health Corp., 2.80%, July 20, 2020	0.9
Canada	(2.4)	U.S. Federal Bonds & Guaranteed	(0.5)	Sprint Spectrum Co. LLC / Sprint Spectrum Co. II LLC / Sprint Spectrum Co III LLC, Series 'A-1', 3.36%, March 20, 2023	0.9
<b>Total Short Positions</b>	<b>(3.1)</b>	Financials	(0.4)	T-Mobile USA Inc., 6.00%, March 1, 2023	0.9
		Consumer Discretionary	(0.1)	United States Treasury Bond, Inflation Indexed, 0.50%, January 15, 2028	0.9
		Real Estate	(0.1)	Ford Credit Canada Co., 2.92%, September 16, 2020	0.9
		<b>Total Short Positions</b>	<b>(3.1)</b>		
				<b>Total Net Assets (in \$000's)</b>	<b>\$173,532</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.