

# CI First Asset Short Term Government Bond Index Class ETF

Management Report of Fund Performance for the year ended December 31, 2020

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the 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.

To request an alternate format of this document, please contact us at [service@ci.com](mailto:service@ci.com) or 1-800-792-9355.

## INVESTMENT OBJECTIVE AND STRATEGIES

The CI First Asset Short Term Government Bond Index Class ETF (the Fund) has been designed to replicate, to the extent possible, the performance of a Canadian short-term government bond index, currently the FTSE Canada Short Term Government Bond Index (the Benchmark or the Index), net of expenses. Under normal market conditions, the Fund will primarily invest in Canadian federal, provincial and municipal bonds issued domestically in Canada and denominated in Canadian dollars. The investment strategy of the Fund is to invest in and hold the constituent securities of the Index in substantially the same proportion as they are reflected in the Index. The Fund may use a sampling strategy to achieve its objectives, if such an approach is appropriate in the discretion of Portfolio Manager.

## RISK

No changes affecting the overall level of risk associated with investing in the Fund were made during the year. The risks of the Fund remain as discussed in the Fund's most recently filed simplified prospectus or its amendments. The Manager reviews the risk rating for the Fund on an annual basis, at a minimum, based on the methodology mandated by the Canadian Securities Administrators to determine the risk level of the Fund. Any change to the risk rating made during the year was as a result of such review and was not a result of any change to the investment objective, strategies or management of the Fund.

## RESULTS OF OPERATIONS

The Fund's net assets decreased by \$10.4 million to \$35.9 million from December 31, 2019 to December 31, 2020. The Fund had net redemptions of \$11.5 million for the year. The Fund paid distributions totalling \$0.7 million while the portfolio's performance increased assets by \$1.8 million. The Fund returned 4.5% after fees and expenses for the one-year period ended December 31, 2020. Over the same time period, the Fund's benchmark returned 4.9%. The benchmark is the FTSE Canada Short Term Government Bond Total Return Index.

Equities closed higher for the year despite unprecedented disruption in the global economy caused by the COVID-19 pandemic. After a strong start to the year, financial markets peaked in mid-February and then declined sharply through late March, registering a 34% drop in U.S. equities, as measured by the S&P 500 Index (S&P 500).

In response to the economic and market turmoil, central banks around the world made interest rate reductions. The U.S. Federal Reserve (Fed) lowered its overnight interest rate from 1.75% to 0.25%. The Bank of Canada (BoC) cut the overnight rate three times, from 1.75% to 0.25%. In addition to interest rate reductions, the Fed signalled that it would purchase nearly US\$1 trillion U.S. Treasury bonds and mortgage-backed securities.

Central banks including, the Fed, the BoC, Bank of England, Bank of Japan, European Central Bank and Swiss National Bank also coordinated efforts to lower rates on currency swaps to enhance liquidity and keep the financial markets functioning normally.

Central banks, led by the Fed, also signalled that inflation would be allowed to "run hot" on a temporary basis, in an effort to revive economic growth. This led to a resurgence in bond yields from a low of 0.51% on U.S. 10-year bonds in March, to 0.92% by the end of the year. Equally surprising was the speed of the rebound of equity markets, which recovered in record time. The S&P 500, for example, rose 65% from its lows to the end of 2020.

Shares of information technology companies led all other sectors, particularly those that enabled the labour force to work from home by providing virtual, streaming, cloud networking or related services. Energy was the worst-performing sector as expectations for oil consumption declined as COVID-19 resulted in decreased overall economic activity. In April, U.S. oil futures traded below US\$0 for the first time in history, dropping to roughly -US\$37 per barrel amid worries over oversupply, coupled with constrained storage. Real estate performance was also weak as fear of a prolonged absence from urban office towers and permanent relocation weighed on office and industrial real estate investment trusts. Many retail stores were also forced into bankruptcy as consumers stayed home in response to health restrictions.

The top three contributors to the Fund's performance included Government of Canada 2.75%, Jun. 1, 2022, Canada Housing Trust No. 1 2.90%, Jun. 15, 2024 and Province of Ontario 3.50%, Sep. 1, 2024.

The Fund's holdings with the weakest performance were Government of Canada 0.25%, Feb. 1, 2023, Canada Housing Trust No. 1 2.25%, Dec. 15, 2025 and Province of Manitoba 4.40%, Sep. 5, 2025.

Overall, the Fund underperformed its benchmark for the year.

## RECENT DEVELOPMENTS

Despite the potential for a rocky start as a more contagious strain of COVID-19 is now circulating, there are broad expectations of a return to normalcy in 2021. We believe that equities could outperform bonds in the coming year as unprecedented stimulus and monetary accommodation may lead to inflated prices of both real and financial assets. With the Democratic party now in control of all three branches of the U.S. government, additional stimulus spending bills are also expected to pass, lending further support to the global economy. Central banks have signalled that interest rates will stay lower

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for longer and inflation allowed to rise to some extent. Pent-up consumer demand may also be unleashed later in 2021, particularly as vaccine distribution ramps up. Inflation expectations vary widely, from short-lived to ramping significantly later this year. Despite these supports, the economic recovery may still stall if vaccine rollouts are delayed.

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.

## **Fixed administration fees**

On September 25, 2020, the Manager announced a proposal where fixed administration fees will replace the current variable operating expense being charged to the Fund. Once the proposal is implemented, the Manager of the Fund, will be responsible for the operating expenses of the Fund, other than certain expenses, in exchange for the payment by the Fund of a fixed administration fee. The MER of each Series of the Fund will consist of the management fee, the fixed administration fee, certain expenses and applicable taxes. On December 3, 2020, securityholders of the Fund approved the proposal; therefore, effective January 1, 2021, the following fixed administration fees will be charged by the Fund: for Common Units – 0.06%.

## **CI Investments Inc. rebrands as CI Global Asset Management Inc.**

On November 10, 2020, CI Investments Inc. announced that it is rebranding to CI Global Asset Management Inc. The rebrand is underway and is scheduled to be completed by the end of the first quarter of 2021. With the rebrand, legacy in-house investment boutique brands will be phased out and they will operate under CI Global Asset Management. The affected brands are Cambridge Global Asset Management, Harbour Advisors, Sentry Investment Management, and Signature Global Asset Management.

## **RELATED PARTY TRANSACTIONS**

### **Manager and Portfolio Manager**

CI Investments Inc. is the Manager and Portfolio Manager 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 December 31, 2020, for the Series is shown below:

	<b>Annual management fee rate (%)</b>
<b>ETF Shares</b>	0.250

The Manager received \$0.1 million in management fees for the year.

During the year ended December 31, 2020, the Manager of the Fund absorbed \$48,547 in operating expenses.

### **Management Fees**

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

### **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 year.

Except as otherwise noted above, the Fund was not a party to any related party transactions during the year ended December 31, 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 five years.

Net Assets per Share (\$) <sup>(1) (2) (4)</sup>	Increase (decrease) from operations:					Dividends:					Net assets at the end of the year shown <sup>(2)</sup>	
	Net assets at the beginning of year <sup>(2)</sup>	Total revenue	Total expenses (excluding distributions)	Realized gains (losses) for the year	Unrealized gains (losses) for the year	Total increase (decrease) from operations <sup>(2)</sup>	From net investment income (excluding dividends)	From dividends	From capital gains	Return of capital		Total dividends <sup>(2, 3)</sup>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

## ETF Shares

Commencement of operations February 24, 2016

Listed TSX: FGB

Dec. 31, 2020	18.91	0.42	(0.07)	0.26	0.29	0.90	-	-	-	(0.37)	(0.37)	19.38
Dec. 31, 2019	18.91	0.45	(0.07)	(0.02)	0.04	0.40	-	-	-	(0.39)	(0.39)	18.91
Dec. 31, 2018	18.99	0.44	(0.07)	(0.51)	0.50	0.36	-	-	-	(0.39)	(0.39)	18.91
Dec. 31, 2017	19.55	0.46	(0.08)	(0.37)	(0.14)	(0.13)	-	-	-	(0.41)	(0.41)	18.99
Dec. 31, 2016	20.00	0.42	(0.06)	(0.09)	(0.37)	(0.10)	-	-	-	(0.38)	(0.38)	19.55

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

(2) Net assets per share and dividends per share are based on the actual number of shares outstanding for the relevant Series at the relevant time. The increase (decrease) in net assets from operations per share is based on the weighted average number of shares outstanding for the relevant Series over the fiscal year.

(3) Dividends are automatically reinvested in additional shares of the Fund.

(4) This information is provided for the years ended December 31.

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## FINANCIAL HIGHLIGHTS (cont'd)

### Ratios and Supplemental Data <sup>(1)(6)</sup>

	Total net assets <sup>(5)</sup> \$000's	Number of shares outstanding <sup>(5)</sup> 000's	Management expense ratio before waivers or absorptions after taxes <sup>(2)</sup> %	Management expense ratio before taxes <sup>(2)</sup> %	Harmonized sales tax <sup>(2)</sup> %	Management expense ratio after taxes <sup>(2)</sup> %	Effective HST rate for the year <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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### ETF Shares

Commencement of operations February 24, 2016

Listed TSX: FGB

Dec. 31, 2020	35,860	1,850	0.47	0.30	0.05	0.35	12.03	0.02	83.30	19.37
Dec. 31, 2019	46,321	2,450	0.50	n/a <sup>^</sup>	n/a <sup>^</sup>	0.34	n/a <sup>^</sup>	0.03	88.21	18.91
Dec. 31, 2018	47,272	2,500	0.54	n/a <sup>^</sup>	n/a <sup>^</sup>	0.34	n/a <sup>^</sup>	0.03	111.68	18.95
Dec. 31, 2017	40,836	2,150	0.54	n/a <sup>^</sup>	n/a <sup>^</sup>	0.35	n/a <sup>^</sup>	0.03	79.78	18.97
Dec. 31, 2016	60,617	3,100	0.47	n/a <sup>^</sup>	n/a <sup>^</sup>	0.34	n/a <sup>^</sup>	0.03	83.36	19.57

(1) This information is derived from the Fund's audited 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 year, 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 shareholder 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 year, 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 year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. 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 year, 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 year.

(5) This information is provided for the years ended December 31.

(6) Closing market price.

<sup>^</sup>Historical information pertaining to HST is not available.

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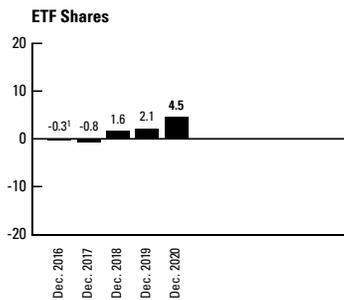
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## PAST PERFORMANCE

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 dividends made by the Fund in the years shown were reinvested in additional shares 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 annual performance for each of the years shown and illustrates how the Fund's performance has changed from year to year. In percentage terms, the chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year, except where noted.



<sup>1</sup> 2016 return is for the period from February 24, 2016 to December 31, 2016.

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## Annual Compound Returns

The following table shows the Fund's annual compound returns for each year indicated, compared to the FTSE Canada Short Term Government Bond Total Return Index and the FTSE Canada Universe Bond Total Return Index.

The FTSE Canada Short Term Government Bond Index is a market capitalization weighted index that measures the performance of the Canadian investment-grade fixed income market. The Index consists of investment grade, fixed rate Government bonds denominated in Canadian dollars, with term to maturity between one to five years. The Index is a sub-sector of the FTSE Canada Universe Bond Index.

The FTSE Canada Universe Bond Index is a market capitalization weighted index that measures the performance of the Canadian investment-grade fixed income market. The Index consists of fixed rate bonds denominated in Canadian dollars, with a remaining effective term to maturity of at least one year, rated BBB or higher. The Index is comprised of four main credit or borrower categories: bonds issued by the Government of Canada (including Crown Corporations), Provincial bonds (including provincially-guaranteed securities), Municipal bonds and Corporate bonds. The Corporate sector is further divided into sub-sectors based on major industry groups: Financial, Communication, Industrial, Energy, Infrastructure, Real Estate and Securitization. The Corporate sector is also divided into sub-indices based on credit rating: a combined AAA/AA sector, a single A sector and a BBB sector.

A discussion of the performance of the Fund as compared to the benchmark is found in the Results of Operations section of this report.

	One Year (%)	Three Years (%)	Five Years (%)	Ten Years (%)	Since Inception (%)
<b>ETF Shares</b>	4.5	2.7	n/a	n/a	1.4
FTSE Canada Short Term Government Bond Total Return Index	4.9	3.1	n/a	n/a	1.8
FTSE Canada Universe Bond Total Return Index	8.7	5.6	n/a	n/a	4.2

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## SUMMARY OF INVESTMENT PORTFOLIO as at December 31, 2020

Category	% of Net Assets	Category	% of Net Assets	Top 25 Holdings	% of Net Assets
<b>Country allocation</b>		<b>Sector allocation</b>			
Canada .....	99.7	Government of Canada & Guaranteed .....	69.7	Government of Canada, 2.75%, June 1, 2022 .....	8.0
Other Net Assets (Liabilities) .....	0.2	Provincial Government & Guaranteed .....	30.0	Government of Canada, 0.50%, September 1, 2025 .....	5.2
Cash & Cash Equivalents .....	0.1	Other Net Assets (Liabilities) .....	0.2	Government of Canada, 1.75%, March 1, 2023 .....	4.8
		Cash & Cash Equivalents .....	0.1	Government of Canada, 2.00%, September 1, 2023 .....	3.5
				Canada Housing Trust N <sup>o</sup> . 1, 2.40%, December 15, 2022 .....	3.5
				Province of Ontario, 2.60%, June 2, 2025 .....	3.4
				Canada Housing Trust N <sup>o</sup> . 1, 2.90%, June 15, 2024 .....	3.3
				Government of Canada, 0.25%, November 1, 2022 .....	3.3
				Province of Ontario, 3.50%, June 2, 2024 .....	3.2
				Government of Canada, 2.25%, March 1, 2024 .....	3.1
				Government of Canada, 2.25%, June 1, 2025 .....	3.1
				Canada Housing Trust N <sup>o</sup> . 1, Series '55', 3.15%, September 15, 2023 .....	2.7
				Canada Housing Trust N <sup>o</sup> . 1, 1.95%, December 15, 2025 .....	2.5
				Canada Housing Trust N <sup>o</sup> . 1, Series 'MAR', 0.95%, June 15, 2025 .....	2.4
				Government of Canada, 1.50%, June 1, 2023 .....	2.3
				Canada Housing Trust N <sup>o</sup> . 1, 2.35%, June 15, 2023 .....	2.3
				Government of Canada, 0.50%, March 1, 2022 .....	2.2
				Canada Housing Trust N <sup>o</sup> . 1, 1.80%, December 15, 2024 .....	2.1
				Province of Quebec, 3.50%, December 1, 2022 .....	2.1
				Province of Ontario, 1.75%, September 8, 2025 .....	2.0
				Canada Housing Trust N <sup>o</sup> . 1, Series 'SEPT', 2.55%, December 15, 2023 .....	2.0
				Province of Ontario, 3.15%, June 2, 2022 .....	2.0
				Canada Housing Trust N <sup>o</sup> . 1, 1.75%, June 15, 2022 .....	1.8
				Government of Canada, 1.50%, September 1, 2024 .....	1.8
				Government of Canada, 2.50%, June 1, 2024 .....	1.7
				<b>Total Net Assets (in \$000's)</b>	<b>\$35,860</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.