CI GLOBAL BOND FUND
Q3-2024 Commentary

CI GLOBAL ASSET MANAGEMENT

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.
CI Global Bond Fund, Series F*	10.4%	-1.3%	-0.8%	1.7%	2.7%
Benchmark: J.P. Morgan Global Government Bond Total Return Index	10.3%	-2.3%	-1.7%	1.9%	2.8%

* Inception date: August 8, 2000. Formerly Signature Global Bond Fund, renamed effective July 29, 2021.
Source: CI Global Asset Management, as at September 30, 2024.

PERFORMANCE SUMMARY

- Over the third quarter of 2024, CI Global Bond Fund, Series F (the Fund) returned 4.3% compared with its benchmark, the J.P. Morgan Global Government Bond Total Return Index, which returned 5.9%.
- The Fund underperformed its benchmark largely as a result of its net currency positioning. Underweight Japanese yen and euro exposures detracted from the Fund's performance. Likewise, the euro and the U.K. pound appreciated against the Canadian dollar.

CONTRIBUTORS TO PERFORMANCE

A holding in 10-year bonds (0.1% Dec. 20, 2030) issued by the Government of Japan contributed to the Fund's performance. Japanese yields fell modestly, and the Japanese yen appreciated strongly against the Canadian dollar. The strong global interest rate rebound over the period narrowed the yield differential between Canadian and Japanese bonds, which favoured the Japanese currency against many other currencies, including the Canadian dollar.

Holding in a bond (3.25% Apr. 30, 2034) issued by the Government of Spain also contributed to the Fund's performance. European yields declined as the global monetary easing cycle got underway. Spanish bond spreads tightened, and the euro strengthened against the Canadian dollar.

DETRACTORS FROM PERFORMANCE

A holding in MC Brazil Downstream Trading SARL 7.25% Jun. 30, 2031 bonds detracted from the Fund's performance. Spreads widened over the period as talks for a potential acquisition of MC Brazil downstream Trading by Petroleo Brasileiro SA, Brazil's state-controlled oil company, dragged on without signs of significant progress.

A holding in Dominican Republic 5.5% Jan. 27, 2025 bonds also detracted from the Fund's performance as Dominican Republic spreads widened modestly. The security was exchanged in July for a longer-maturity Dominican Republic bond.

PORTFOLIO ACTIVITY

A holding in Government of Canada 3.0% Nov. 1, 2024 bonds was eliminated from the Fund during the period.

MARKET OVERVIEW

The U.S. Federal Reserve Board, like other central banks, has indicated that its interest rate policy decisions will be data-dependent, but leading economic indicators are often noisy and subject to revision. Therefore, while the downward direction of policy interest rates is clear, the pace and extent of monetary easing remain uncertain and will ultimately hinge on broader financial conditions and how the economy responds to lower interest rates in the upcoming quarters. The downside risks are larger for Canada, given challenges related to higher mortgage payments upon renewal in 2025 and the expected slowing in population growth. As a result of this shift in monetary policy stance, interest rates declined globally, with Canadian rates outperforming within the G10 countries. As a reference point, 10-year yields dropped around 0.55% in Canada, 0.61% in the United States and 0.28% in Germany.

There seems to be an asymmetry in the bond market, by which yields have more room to fall than to rise. On one hand, economic data suggest an inflation convergence and slowing growth, both of which point to declining yields. If near-term economic data remains resilient, prompting central banks to slow or delay interest rate cuts, the likelihood of a recession scenario increases, implying even lower yields when that materializes.

Given this backdrop, the Fund maintains an overweight duration (sensitivity to interest rates) in Canada and the United States, and underweight duration positioning in Japan and U.K. bonds. Higher interest rates are expected in Japan, while in the United Kingdom, the stickiness of domestic inflation and uncertainties around its autumn budget complicates the Bank of England’s path to easing monetary policy.

The Fund has an overweight allocation to corporate bonds, which, in our view, can still generate positive excess returns, and we see value in the asset class. Tight valuations, in our view, are supported by strong fundamentals, limited issuance and strong demand. While our outlook is for relatively benign economic conditions to continue and credit spreads to remain rangebound, we are focusing on high-quality corporate bonds to add yield.

Source: Source: CI Global Asset Management

For more information, please visit ci.com.

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