

2018 Semi-Annual Management Report of Fund Performance

for the period ended June 30, 2018



Skylon Growth & Income Trust

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 trust. You can get a copy of the semi-annual or annual financial statements at your request, and at no cost, by calling 1-800-268-9374, 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.ci.com or SEDAR at www.sedar.com.

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



Canada's Investment Company

Skylon Growth & Income Trust

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RESULTS OF OPERATIONS

The net asset value of the Trust decreased by \$1.0 million to \$37.2 million from December 31, 2017 to June 30, 2018. The Trust had net sales of \$0.1 million for the period. The Trust paid distributions totalling \$1.6 million while the portfolio's performance increased assets by \$0.5 million. The Trust returned -2.8% after fees and expenses for the six-month period ended June 30, 2018. Over the same time period, the Trust's benchmark returned 1.9%. The benchmark is a combination of the S&P/TSX Composite Total Return Index - 35%, the MSCI All Country World Total Return Index - 25%, the ICE Bank of America Merrill Lynch U.S. High Yield Total Return Index - 20% and the FTSE TMX Canada Universe Bond Total Return Index - 20%.

The Trust underperformed its benchmark for the period. The S&P/TSX Composite Index was one of the worst-performing stock markets globally in the first quarter of 2018. Financials were generally weak, led lower by diversified financials and life insurance amid a pause in interest rate hikes. In addition, the energy sector was particularly weak despite higher oil prices. This was not unique to Canada. In the U.S., both oil services and exploration and production energy companies were also down. In normal circumstances, the two sub-sectors perform in line with energy prices. The likely explanation is the lack of investor confidence in the sustainability of higher oil prices.

In the second quarter, energy performed well on the back of higher oil prices but just as importantly, it was catching up since energy equities previously lagged the underlying oil price. This was one of the conundrums going into 2018. Oil prices have been rallying since the most recent lows in mid-2017 but oil-related equities were lagging significantly, indicating markets were skeptical on the sustainability of the move in oil.

The second half of the period was dominated by rhetoric from the Trump administration on tariffs and trade wars. It began as a trade dispute but deteriorated into a trade war by the end of the period. The tariffs continue to be part of a tactic to drive concessions from U.S. trading partners, including China, Europe, Canada and Mexico.

The Bank of Canada has remained on hold after hiking interest rates in January 2018 to 1.25%. A combination of mixed economic data throughout the second quarter as well as business uncertainty induced by NAFTA re-negotiations persuaded the Bank of Canada to proceed with caution in its hiking cycle.

Exposure to the information technology sector contributed to performance in the first quarter. However, it uncharacteristically detracted from performance in the second quarter. Holdings in the consumer discretionary sector also added to performance.

Portfolio duration is moderately short, featuring an underweight in the 10-year to 20-year area of the yield curve. In the spread product sphere, we are cautiously overweight corporate credit, underweight Canadian government agency debt, and retain long positions in U.S. inflation-linked bonds.

We lowered Canadian duration mainly in the 10-year area of the yield curve. Late in the period, we sold our U.S. agency mortgage holdings, moving some of the duration back to the Canadian market.

RECENT DEVELOPMENTS

We continue to monitor developments in global trade wars although we would note that global growth remains constructive. Until there is more clarity on trade negotiations for NAFTA, Brexit, and U.S.-China, we expect volatility to remain elevated and note that the probability of downside risks across global capital markets has risen.

Effective April 3, 2018, Karen Fisher became a member of the CI Board of Governors ("BOG") and the Independent Review Committee ("IRC") of the Trust. Meanwhile, Christopher Hopper resigned from the role as a member of the BOG and IRC.

RELATED PARTY TRANSACTIONS

Manager

CI Investments Inc. is the Manager of the Trust and in consideration of management fees of \$0.2 million, provided management services required in the day-to-day operations of the Trust for the period.

Management Fees

100% of the management fees received, for the period were used to pay for investment management and other general administration.

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Independent Review Committee

The Trust received standing instructions from the Trust's Independent Review Committee with respect to the following related party transactions:

- a) trades in securities of CI Financial Corp.;
- b) purchases or sales of securities of an issuer from or to another investment fund managed by the Manager;
- c) purchases or sales of other investment funds managed by the Manager or their affiliates; and
- d) mergers involving the Trust and another fund managed by the Manager that is subject to National Instrument 81-102 - *Investment Funds*.

The applicable standing instructions require that related party transactions be conducted in accordance with the Manager's policies and procedures and that the Manager advise the IRC of any material breach of a condition of the standing instructions. The standing instructions require, among other things, 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 Trust; (c) are made in compliance with the Manager's policies and procedures; and (d) achieve a fair and reasonable result for the Trust. Transactions made by the Manager under the standing instructions are subsequently reviewed by the IRC on a quarterly basis to monitor compliance.

The Trust relied on the IRC's standing instructions regarding Related Party Transactions during this reporting period.

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FINANCIAL HIGHLIGHTS

The following table shows selected key financial information about the Trust and is intended to help you understand the Trust's financial performance for the past six periods.

NET ASSETS PER UNIT ^(1,2,7)

	Six Months Ended Jun. 30, 2018	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013
	\$	\$	\$	\$	\$	\$
Commencement of operations February 18, 2004						
Net assets at the beginning of period ⁽¹⁾	8.24	8.21	8.26	8.91	8.74	8.20
Increase (decrease) from operations:						
Total revenue	0.12	0.25	0.27	0.34	0.36	0.32
Total expenses (excluding distributions)	(0.08)	(0.16)	(0.15)	(0.17)	(0.17)	(0.16)
Realized gains (losses) for the period	0.35	0.70	0.45	0.49	0.92	0.30
Unrealized gains (losses) for the period	(0.28)	0.02	0.09	(0.61)	(0.20)	0.79
Total increase (decrease) from operations ⁽²⁾	0.11	0.81	0.66	0.05	0.91	1.25
Distributions:						
From net investment income (excluding dividends)	(0.01)	(0.02)	(0.06)	(0.09)	(0.09)	(0.06)
From dividends	(0.03)	(0.07)	(0.06)	(0.07)	(0.09)	(0.09)
From capital gains	(0.31)	(0.61)	(0.35)	(0.33)	-	-
Return of capital	-	-	(0.24)	(0.20)	(0.52)	(0.55)
Total distributions ^(2,3)	(0.35)	(0.70)	(0.71)	(0.69)	(0.70)	(0.70)
Net assets at the end of the period shown ⁽²⁾	8.01	8.24	8.21	8.26	8.91	8.74
Ratios and Supplemental Data						
Total net assets (\$000's) ⁽²⁾	37,244	38,215	41,133	46,019	52,613	54,219
Number of units outstanding (000's) ⁽²⁾	4,648	4,636	5,010	5,574	5,905	6,201
Portfolio turnover rate (%) ⁽⁵⁾	48.37	79.29	93.18	93.74	61.96	58.18
Trading expense ratio (%) ⁽⁶⁾	0.11	0.09	0.09	0.11	0.09	0.09
Management expense ratio before taxes (%) ⁽⁴⁾	1.74	1.75	1.75	1.75	1.75	1.75
Harmonized sales tax (%) ⁽⁴⁾	0.16	0.16	0.16	0.16	0.16	0.16
Management expense ratio after taxes (%) ⁽⁴⁾	1.90	1.91	1.91	1.91	1.91	1.91
Effective HST rate for the period ⁽⁴⁾	13.00	13.00	9.31	9.24	9.09	9.07
Closing market price (\$)	7.90	8.28	7.95	7.73	8.73	8.41

(1) This information is derived from the Trust'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 at the relevant time. The increase (decrease) from operations per unit is based on the weighted average number of units outstanding over the fiscal period.

(3) Distributions were paid in cash or automatically reinvested in additional units of the Trust.

(4) Management expense ratio is calculated based on expenses charged to the Trust (excluding commissions and other portfolio transaction costs) and is expressed as an annualized percentage of daily average net assets for the period. As of July 1, 2010, Ontario combined the federal goods and services tax ("GST" - 5%) with the provincial retail sales tax ("PST" - 8%). The combination resulted in a Harmonized sales tax ("HST") rate of 13%. The Effective HST tax rate is calculated using the attribution percentage for each province based on unitholder residency and can be different from 13%.

(5) The Trust's portfolio turnover rate indicates how actively the Trust's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Trust buying and selling all of the securities in its portfolio once in the course of the fiscal period. The higher a Trust's portfolio turnover rate in a period, the greater the trading costs payable by the Trust 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 Trust. 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, excluding cash and short-term investments maturing in less than one year, by the average of the monthly fair value of investments during the period.

(6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value of the Trust during the period.

(7) This information is provided for the period ended June 30, 2018 and the years ended December 31.

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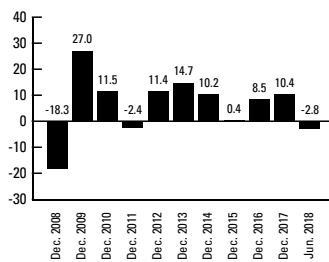
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PAST PERFORMANCE

This section describes how the Trust has performed in the past. Remember, past returns do not indicate how the Trust will perform in the future. The information shown assumes that distributions made by the Trust in the periods shown were reinvested in additional units of the Trust. 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 Trust's semi-annual and annual performance for each of the periods shown and illustrates how the Trust'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.



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SUMMARY OF INVESTMENT PORTFOLIO as at June 30, 2018

Portfolio Breakdown

Category	% of Net Assets
Country allocation	
Long Positions	
Canada	52.6
U.S.A.	26.0
Cash & Equivalents	5.7
Japan	2.6
Switzerland	2.1
U.K.	1.6
South Korea	1.3
Cayman Islands	1.2
Sweden	1.0
Netherlands	0.9
Jersey Island	0.7
France	0.6
Germany	0.6
Ireland	0.6
Bermuda	0.5
Italy	0.5
Spain	0.4
Luxembourg	0.3
Exchange-Traded Fund(s)	0.3
Denmark	0.3
India	0.2
China	0.2
Russia	0.2
Marshall Islands	0.1
British Virgin Islands	0.1
Australia	0.0
Bahamas	0.0
Brazil	0.0
St. Lucia	0.0
Options Contracts	0.0
Fund(s)	0.0
Other Net Assets (Liabilities)	(0.3)
Foreign Currency Forward Contracts	(0.3)
Total Long Positions	100.0
Short Positions	
Options Contracts	(0.0)
Total Short Positions	(0.0)

Portfolio Breakdown (cont'd)

Category	% of Net Assets
Sector allocation	
Long Positions	
Financials	21.6
Corporate Bonds	15.5
Energy	10.0
Provincial Bonds	6.9
Cash & Equivalents	5.7
Consumer Discretionary	5.6
Materials	5.2
Industrials	5.1
Foreign Government Bonds	4.9
Information Technology	4.9
Consumer Staples	4.5
Canadian Government Bonds	4.1
Health Care	3.4
Utilities	1.7
Real Estate	1.0
Exchange-Traded Fund(s)	0.3
Telecommunication Services	0.1
Asset-Backed Securities	0.1
Warrants	0.0
Private Placements	0.0
Options Contracts	0.0
Fund(s)	0.0
Other Net Assets (Liabilities)	(0.3)
Foreign Currency Forward Contracts	(0.3)
Total Long Positions	100.0
Short Positions	
Options Contracts	(0.0)
Total Short Positions	(0.0)
Asset allocation	
Long Positions	
Common Equities	59.7
Corporate Bonds	15.5
Provincial Bonds	6.9
Cash & Equivalents	5.7
Foreign Government Bonds	4.9
Canadian Government Bonds	4.1
Preferred Shares	3.4
Exchange-Traded Fund(s)	0.3
Real Estate Investment Trusts	0.1
Warrants	0.0
Fund(s)	0.0
Options Contracts	0.0

Portfolio Breakdown (cont'd)

Category	% of Net Assets
Asset allocation (cont'd)	
Long Positions (cont'd)	
Foreign Currency Forward Contracts	(0.3)
Other Net Assets (Liabilities)	(0.3)
Total Long Positions	100.0
Short Positions	
Options Contracts	(0.0)
Total Short Positions	(0.0)
Top 25 Holdings	
Security Name	% of Net Assets
Cash & Equivalents	5.7
United States Treasury Note/Bond	
2.5% 05/31/2020	4.8
The Bank of Nova Scotia	3.6
Manulife Financial Corp.	3.2
Suncor Energy Inc.	2.2
Government of Canada 1.75% 05/01/2020	1.8
Sony Corp.	1.8
Canadian Imperial Bank of Commerce	1.7
EnCana Corp.	1.6
Micron Technology Inc.	1.6
Wells Fargo & Co.	1.6
Synchrony Financial	1.5
Royal Bank of Canada	1.4
Enbridge Inc.	1.4
Canadian Natural Resources Ltd.	1.3
Samsung Electronics Co., Ltd.	1.3
Toronto-Dominion Bank	1.2
Nutrien Ltd.	1.1
Canadian Pacific Railway Ltd.	1.1
Power Corporation of Canada	1.0
Nestle S.A., Registered Shares	1.0
Alibaba Group Holding Ltd., ADR	1.0
Province of Ontario 3.5% 06/02/2024	1.0
Canadian National Railway Co.	0.9
Government of Canada 1.25% 02/01/2020	0.9
Total Net Assets (in \$000's)	\$37,244

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

A NOTE ON FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Trust, its future performance, strategies or prospects, and possible future Trust 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 Trust 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 Trust. 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.