

2018 Annual Management Report of Fund Performance

for the year ended December 31, 2018



Skylon Growth & Income Trust



Trusted Partner in Wealth™

Skylon Growth & Income Trust

Management Report of Fund Performance for the year ended December 31, 2018

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.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 fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

INVESTMENT OBJECTIVE AND STRATEGIES

The Skylon Growth & Income Trust's (the "Trust") objectives are to:

- i. provide unitholders with monthly distributions,
- ii. endeavour to preserve capital throughout the life of the Trust, and
- iii. enhance the long-term total return of the Trust's portfolio.

Under normal market conditions the assets of the Trust are invested in securities of income trusts, high-yield debt, dividend paying common shares, other common shares, other securities and cash and instalment receipts.

The Trust may lever up to 25% of its net asset value. The Trust may invest in or use derivative instruments such as forward contracts, swap agreements, "structured" notes, and interest rate futures contracts and options thereon. It may take long and short positions in securities and derivative instruments. The Trust may also engage in intra-capital arbitrage which entails purchasing debt securities of an issuer while short-selling equity securities of the same issuer. The Trust may lend securities to generate additional returns.

The Trust determines and announces each February an indicative distribution amount for the following twelve months. This indicative distribution amount may fluctuate from year to year.

RISK

The risks of investing in the Trust remain as discussed in its Initial Public Offering Prospectus. There can be no assurance that the Trust will be able to achieve its objectives of monthly distributions, preservation of capital and enhancing long-term total return.

Investing in the Trust is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of the indicative distribution not being met in any period.

RESULTS OF OPERATIONS

The net asset value of the Trust decreased by \$7.7 million to \$30.5 million from December 31, 2017 to December 31, 2018. The Trust had net redemptions of \$1.6 million for the year. The Trust paid distributions totalling \$3.3 million while the portfolio's performance decreased assets by \$2.8 million. The Trust returned -8.1% after fees and expenses for the one-year period ended December 31, 2018. Over the same time period, the Trust's benchmark returned -3.6%. 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 BofAML U.S. High Yield Total Return Index - 20% and the FTSE Canada Universe Bond Total Return Index - 20%.

The latter part of 2018 featured continued tightening of global financial conditions and despite the U.S. Federal Reserve ("Fed") delivering a dovish hike in December, markets experienced heightened volatility. Almost every major asset class ended the year with negative returns, while global government bonds outperformed and U.S. 3-month T-bills returned 1.8%.

In developed markets, the U.S. continued to grow at a moderate pace and payroll growth remained robust even though the Fed raised rates by 100 basis points through the year. On the back of this monetary policy tightening, the dollar continued to strengthen against most G10 currencies in the fourth quarter, while the 10-year U.S. Treasury yield collapsed from a high of 3.23% in early October to 2.68% by the end of the year. The recent flattening of the U.S. Treasury yield curve is indicative of market worries about a policy misstep by the Fed.

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In Canada, the Bank of Canada ("BoC") hiked its policy rate in October, the third time this year to 1.75%. Since then, the collapse in energy prices has resulted in downward revisions to the growth and inflation outlook over the year ahead. Against this backdrop, the Canadian 10-year yield dropped by 46 basis points to 1.96% at year-end, while the Canadian dollar declined by almost 6% against the U.S. dollar through the quarter.

In Europe, recent economic data has worsened as Purchasing Managers' Index ("PMI") slumped further, particularly in France as the "gilets jaunes" protests have slowed down activity. Germany too has seen pronounced decline and in line with other developed markets. The German 10-year yield also declined during the fourth quarter to end 2018 at 0.24%. From a political standpoint, Italy reached an agreement with the European Commission on its budget plan and this helped Italian government spreads outperform other peripheral spreads in Europe.

In energy, the drop in oil prices was a detractor but we believe oil will rebound in 2019, as supply is curtailed and demand remains stable. Ultimately, our long-term positive outlook for oil prices resides around the underinvestment of the last five years on a global level.

The total return outcome of the portfolio was primarily supported by the performance of short maturity Canadian duration. Canadian duration and yield curve positioning added to performance, aided by our overweight and increasing duration position overall amid the latter months of the year, as interest rates fell significantly. The Government of Canada 10-year bond yield fell by some 46 basis points in the final three months of the year.

The Trust underperformed its benchmark for the year.

RECENT DEVELOPMENTS

The last quarter of 2018 was one of the worst on record for equity markets and we enter 2019 with very oversold conditions. The market appears to be anticipating a significant economic slowdown, but we do not expect a U.S. recession in 2019, as the consumer remains healthy. Employment growth remains strong, wages are now growing over 3%, and jobs are plentiful. Recent market moves confirm that the U.S. is not immune to a global slowdown and its equity market has caught up to the rest of the world.

Prospects for additional rate hikes by the BoC have eroded with markets pricing in less than one 25 basis point increase over the next 12 months. The collapse in energy prices, tightening financial conditions and trade tensions between the U.S. and China are seen slowing the economy and dragging inflation below the 2% target of the BoC.

In the U.K., the focus continues to be Brexit, with the March 29 deadline fast approaching and inadequate support in Parliament for the negotiated agreement.

Effective September 20, 2018, Tom Eisenhauer became a member of the Board of Governors ("BOG") and Independent Review Committee ("IRC"), and effective October 15, 2018, Mary Robertson resigned 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 \$0.4 million, provided management services required in the day-to-day operations of the Trust for the year.

Management Fees

100% of the management fees received, for the year 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 Independent Review Committee reviews such transactions during scheduled meetings. During the year ended December 31, 2018, the Trust executed inter-fund trades.

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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; and
- c) purchases or sales of other investment funds managed by the Manager or their affiliates.

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 year.

Except as otherwise noted above, the Trust was not a party to any related party transactions during the year ended December 31, 2018.

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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 five years.

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

	Year Ended Dec. 31, 2018	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014
	\$	\$	\$	\$	\$
Commencement of operations February 18, 2004					
Net assets at the beginning of year ⁽¹⁾	8.24	8.21	8.26	8.91	8.74
Increase (decrease) from operations:					
Total revenue	0.23	0.25	0.27	0.34	0.36
Total expenses (excluding distributions)	(0.15)	(0.16)	(0.15)	(0.17)	(0.17)
Realized gains (losses) for the year	0.44	0.70	0.45	0.49	0.92
Unrealized gains (losses) for the year	(1.14)	0.02	0.09	(0.61)	(0.20)
Total increase (decrease) from operations ⁽²⁾	(0.62)	0.81	0.66	0.05	0.91
Distributions:					
From net investment income (excluding dividends)	-	(0.02)	(0.06)	(0.09)	(0.09)
From dividends	(0.08)	(0.07)	(0.06)	(0.07)	(0.09)
From capital gains	(0.35)	(0.61)	(0.35)	(0.33)	-
Return of capital	(0.27)	-	(0.24)	(0.20)	(0.52)
Total distributions ^(2,3)	(0.70)	(0.70)	(0.71)	(0.69)	(0.70)
Net assets at the end of the year shown ⁽²⁾	6.93	8.24	8.21	8.26	8.91
Ratios and Supplemental Data					
Total net assets (\$000's) ⁽²⁾	30,533	38,215	41,133	46,019	52,613
Number of units outstanding (000's) ⁽²⁾	4,407	4,636	5,010	5,574	5,905
Portfolio turnover rate (%) ⁽⁵⁾	84.87	79.29	93.18	93.74	61.96
Trading expense ratio (%) ⁽⁶⁾	0.12	0.09	0.09	0.11	0.09
Management expense ratio before taxes (%) ⁽⁴⁾	1.75	1.75	1.75	1.75	1.75
Harmonized sales tax (%) ⁽⁴⁾	0.16	0.16	0.16	0.16	0.16
Management expense ratio after taxes (%) ⁽⁴⁾	1.91	1.91	1.91	1.91	1.91
Effective HST rate for the year ⁽⁴⁾	9.25	13.00	9.31	9.24	9.09
Closing market price (\$)	6.63	8.28	7.95	7.73	8.73

(1) This information is derived from the Trust's audited 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 year.

(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 year. 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 year. The higher a Trust's portfolio turnover rate in a year, the greater the trading costs payable by the Trust 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 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 year, excluding cash and short-term investments maturing in less than one year, by the average of the monthly fair value of investments during the year.

(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 year.

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

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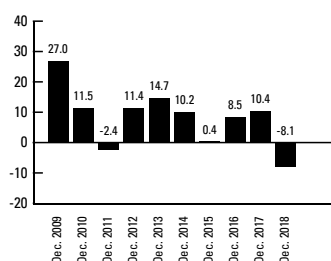
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PAST PERFORMANCE

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 years 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 annual performance for each of the years shown and illustrates how the Trust'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.



Annual Compound Returns

The following table shows the Trust's annual compound returns for each year indicated, compared to the Blended Index composed of: (35% - S&P/TSX Composite Total Return Index, 25% - MSCI All Country World Total Return Index, 20% - ICE BofAML U.S. High Yield Total Return Index and 20% - FTSE Canada Universe Bond Total Return Index); the ICE BofAML U.S. High Yield Total Return Index, the FTSE Canada Universe Bond Total Return Index, the MSCI All Country World Total Return Index and the S&P/TSX Composite Total Return Index.

The S&P/TSX Composite Index is a float-adjusted market capitalization weighted index, which is the principal broad measure of the Canadian equity market. It includes common stocks and income trust units of companies incorporated in Canada which are listed on the Toronto Stock Exchange.

The MSCI All Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The Index consists of 46 country indices comprising 23 developed and 23 emerging markets. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States of America. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

The ICE BofAML U.S. High Yield Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

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.

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A discussion of the performance of the Trust 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 (%)
Class A	(8.1)	3.3	4.0	8.1	n/a
Blended Index	(3.6)	5.7	5.4	8.8	n/a
S&P/TSX Composite Total Return Index	(8.9)	6.4	4.1	7.9	n/a
MSCI All Country World Total Return Index	(1.6)	6.1	9.6	10.7	n/a
ICE BofAML U.S. High Yield Total Return Index	(2.3)	7.3	3.8	11.8	n/a
FTSE Canada Universe Bond Total Return Index	1.4	1.9	3.5	4.1	n/a

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SUMMARY OF INVESTMENT PORTFOLIO as at December 31, 2018

Category	% of Net Assets	Category	% of Net Assets	Top 25 Holdings	% of Net Assets
Country allocation		Sector allocation			
Canada	63.3	Financials	24.3	Government of Canada 1.5% 06/01/2026	6.4
U.S.A.	20.6	Corporate Bonds	17.9	Cash & Equivalents	5.6
Cash & Equivalents	5.6	Canadian Government Bonds	9.6	The Bank of Nova Scotia	4.1
Japan	3.0	Energy	8.3	Manulife Financial Corp.	4.0
Switzerland	2.2	Provincial Bonds	8.1	Canadian Natural Resources Ltd.	2.4
France	1.7	Industrials	6.3	Sony Corp.	2.1
U.K.	1.5	Cash & Equivalents	5.6	Suncor Energy Inc.	1.9
South Korea	1.4	Consumer Staples	5.4	Canadian Imperial Bank of Commerce	1.6
Netherlands	1.0	Consumer Discretionary	5.3	Teck Resources Ltd., Class B	1.4
Spain	0.8	Materials	5.0	Samsung Electronics Co., Ltd.	1.4
Cayman Islands	0.8	Health Care	4.8	Province of Ontario 2.9% 06/02/2028	1.4
Ireland	0.7	Information Technology	2.9	Canadian Pacific Railway Ltd.	1.3
Jersey Island	0.6	Utilities	1.9	Royal Bank of Canada	1.3
Germany	0.5	Real Estate	0.7	Nutrien Ltd.	1.3
Bermuda	0.5	Private Placements	0.4	Nestle S.A., Registered Shares	1.3
Italy	0.4	Exchange-Traded Fund(s)	0.2	Synchrony Financial	1.3
Denmark	0.3	Telecommunication Services	0.1	Citigroup Inc.	1.1
Sweden	0.3	Asset-Backed Securities	0.1	Canadian National Railway Co.	1.0
China	0.3	Fund(s)	0.0	Province of Ontario 2.6% 06/02/2025	1.0
Belgium	0.3	Warrants	0.0	Wells Fargo & Co.	1.0
Luxembourg	0.2	Foreign Currency Forward Contracts	(0.6)	Province of Quebec 2.5% 09/01/2026	0.9
Finland	0.2	Other Net Assets (Liabilities)	(6.3)	Agnico-Eagle Mines Ltd.	0.8
Exchange-Traded Fund(s)	0.2			Saputo Inc.	0.8
Panama	0.2			Alimentation Couche-Tard Inc., Class B	0.8
British Virgin Islands	0.1	Asset allocation		Enbridge Inc.	0.8
Marshall Islands	0.1	Common Equities	61.6		
Australia	0.1	Corporate Bonds	17.9		
Bahamas	0.0	Canadian Government Bonds	9.6		
St. Lucia	0.0	Provincial Bonds	8.1		
Fund(s)	0.0	Cash & Equivalents	5.6		
Foreign Currency Forward Contracts	(0.6)	Preferred Shares	3.8		
Other Net Assets (Liabilities)	(6.3)	Exchange-Traded Fund(s)	0.2		
		Real Estate Investment Trusts	0.1		
		Warrants	0.0		
		Fund(s)	0.0		
		Foreign Currency Forward Contracts	(0.6)		
		Other Net Assets (Liabilities)	(6.3)		
				Total Net Assets (in \$000's)	\$30,533

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.