

# CI Balanced Income Asset Allocation ETF

Management Report of Fund Performance for the period/year ended June 30, 2023

This semi-annual management report of fund performance contains financial highlights but does not contain the complete semi-annual financial statements of the investment fund. You can get a copy of the semi-annual financial statements at your request, and at no cost, by calling 1-800-792-9355, by writing to us at CI Investments Inc., 15 York Street, Second Floor, Toronto, ON, M5J 0A3 or by visiting our website at [www.ci.com](http://www.ci.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.

## INVESTMENT OBJECTIVE AND STRATEGIES

The investment objective of the CI Balanced Income Asset Allocation ETF (the Fund) is to provide a combination of income and moderate long-term capital growth, primarily by investing in Exchange-Traded Funds (ETFs) that provide exposure to a portfolio of global fixed income and equity securities.

In order to achieve its investment objective, the Fund invests in a portfolio of global fixed-income and equity securities. The Portfolio Manager seeks to maintain a long-term strategic asset allocation of approximately 60% fixed income securities and 40% equity securities (under normal market conditions). The portfolio asset mix may be reconstituted and rebalanced from time to time at the discretion of the Portfolio Manager.

For a complete discussion of the Fund's investment objective and strategies, please refer to the Fund's most recently filed simplified prospectus.

## RISK

The risks of the Fund remain as discussed in the Fund's most recently filed simplified prospectus. 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.

## RESULTS OF OPERATIONS

As at June 30, 2023 the Fund's net asset value were \$1.0 million. The Fund had net sales of \$1.0 million for the period.

Market expectations changed dramatically throughout the period. When the period began, the U.S. Federal Reserve Board (Fed) appeared to be close to finishing hiking interest rates, with interest rate cuts expected to come as soon as late 2023. Similarly, the pause in hiking interest rates by the Bank of Canada (BoC) was interpreted by the markets as a finish to its interest rate increases. Those expectations were reversed when the BoC raised interest rates on June 7, 2023 and the Fed signalled it was also not finished raising interest rates. Bond prices were volatile and finished the first half of 2023 with performance driven mainly by coupon rates.

Despite challenges for U.S. regional banks in March 2023, stocks continued to rebound, led by those in the information technology sector, which had a boost from investor enthusiasm around artificial intelligence (AI). Commodities were generally weaker as Chinese economic activities following reopening from COVID-19 pandemic lockdowns were less robust than expected. Many market commentators were predicting recession in the United States because of tight monetary policies, but U.S. job data continued to be surprisingly strong.

An underweight exposure to international equities contributed to the Fund's performance. Top individual contributors to the Fund's performance included holdings in CI U.S. 1000 Index ETF and iShares Core MSCI Emerging Markets ETF.

The Fund's overweight allocation to emerging markets detracted from performance. The largest individual detractors from the Fund's performance were positions in iShares Core Canadian Universe Bond Index ETF, iShares Core MSCI EAFE ETF, CI Canadian Equity Index ETF and Vanguard Global Aggregate Bond Index ETF.

## RECENT DEVELOPMENTS

Central bank and government policies are expected to dominate in the latter half of 2023. We should find out the direction the Fed will take with interest rates, as well as what stimulus strategies the Chinese government will implement to boost the Chinese economy for a 5% annual growth target. In addition, we should discover if the Bank of Japan (BOJ) will end "yield curve control" as inflation may become an issue in Japan. We anticipate higher U.S. interest rates for longer and no cuts in interest rates from the Fed until at least second half of 2024.

In China, youth unemployment is at a historic high and consumer confidence is low. Driven by tension with the United States, it has been harder for China to generate growth from foreign investment. We anticipate some incentives to boost domestic spending. In Japan, there are signs that prices are rising due to commodities and wage pressure, but there has been no rush to change the BOJ's monetary policy. In our view, Japanese companies generally have low debt and high cash balances, and as such, higher interest rates should not dramatically change their profitability.

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Aside from policies, the world is advancing due to innovation. In our view, there is no reason not to believe AI will greatly enhance enterprise productivity. While ChatGPT is not perfect today, it should improve over time. We believe high-speed computing (which enables AI) is the next important trend, and the opportunity ahead could be enormous. The Fund currently holds an overweight allocation to the semiconductor industry, which supplies the “brains” for AI.

Based on this outlook, the Fund holds an underweight allocation to U.S. equities, an overweight allocation to China, along with other emerging market countries, and overweight exposures to Japanese equities and the Japanese yen. Given that cash generates a higher yield than long-dated bonds, we are comfortable holding extra cash in the Fund, which gives us flexibility to add equities or bonds to the Fund.

## RELATED PARTY TRANSACTIONS

### Manager, Portfolio Manager and Trustee

CI Investments Inc. is the Manager, Portfolio 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 rate/rates as at June 30, 2023, for Series/Class or each of the Series/Classes, as applicable, is/are shown below:

	Annual management fee rate (%)
Common Units	0.220

The Manager received a nominal amount in management fees for the period.

### Management Fees

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

### Independent Review Committee

The Manager, in respect of the Fund, received the following standing instructions from the Independent Review Committee (IRC) with respect to related party transactions:

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 reports related party transactions periodically to the IRC and advise the IRC of any material breach of such policies. The Manager's policies and procedures 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) do not exceed the limitations of the applicable legislation; and (d) achieve a fair and reasonable result for the Fund.

Except as otherwise noted above under Related Party Transactions section, the Fund was not a party to any related party transactions during the period/year ended June 30, 2023. If the Fund invested in related party transactions, it relied on the IRC's standing instructions regarding related party transactions during this reporting period/year.

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## FINANCIAL HIGHLIGHTS

The following table/tables shows/show selected key financial information about the Fund and is/are intended to help you understand the Fund's financial performance for the past six period(s)/year(s), as applicable.

Net Assets per Unit (\$)	Increase (decrease) from operations:					Distributions:					Net assets at the end of the period/year shown	
	Net assets at the beginning of period/year	Total revenue	Total expenses (excluding distributions)	Realized gains (losses) for the period/year	Unrealized gains (losses) for the period/year	Total increase (decrease) from operations	From net investment income (excluding dividends)	From dividends	From capital gains	Return of capital		Total distributions
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Common Units</b> <sup>(1)(2)(3)(4)</sup>												
Commencement of operations May 17, 2023												
Listed TSX: CBIN												
Jun. 30, 2023	20.00	0.12	(0.01)	(0.01)	(0.07)	0.03	(0.03)	-	-	-	(0.03)	20.00

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

(2) Net assets per unit and distributions per unit are based on the actual number of units outstanding for the relevant Series/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 Series/Class over the fiscal period/year.

(3) Distributions are automatically reinvested in additional units of the Fund.

(4) This information is provided for the period ended June 30, 2023.

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## FINANCIAL HIGHLIGHTS (cont'd)

### Ratios and Supplemental Data

	Total net assets	Number of units outstanding	Management expense ratio before waivers or absorptions after taxes	Management expense ratio before taxes	Harmonized sales tax	Management expense ratio after taxes	Effective HST rate for the period/year	Trading expense ratio	Portfolio turnover rate	Closing market price
	\$000's	000's	%	%	%	%	%	%	%	\$
<b>Common Units</b> <small>(132,000,000)</small>										
Commencement of operations May 17, 2023										
Listed TSX: CBIN										
Jun. 30, 2023	1,000	50	0.38	0.35	0.03	0.38	13.00	0.01	0.10	20.02

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

(5) This information is provided for the period ended June 30, 2023.

(6) Closing market price.

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*Management Report of Fund Performance for the period/year ended June 30, 2023*

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## **PAST PERFORMANCE**

In accordance with National Instrument 81-106, Investment Fund Continuous Disclosure, "PAST PERFORMANCE" disclosure consisting of "Year-by-Year Returns" and "Annual Compound Returns" is not required if a Fund has been a reporting issuer for less than a year.

The Fund has been in existence for less than a year thus the "PAST PERFORMANCE" disclosure is not presented.

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## SUMMARY OF INVESTMENT PORTFOLIO as at June 30, 2023

Category	% of Net Assets	Category	% of Net Assets	Top Holdings	% of Net Assets
<b>Country allocation</b>		<b>Sector allocation</b>			
Exchange-Traded Fund(s) .....	99.9	Exchange-Traded Fund(s) .....	99.9	iShares Core Canadian Universe Bond Index ETF .....	48.9
Cash & Cash Equivalents .....	0.1	Cash & Cash Equivalents .....	0.1	Vanguard Global Aggregate Bond Index ETF .....	14.9
Other Net Assets (Liabilities) .....	0.0	Other Net Assets (Liabilities) .....	0.0	CI Canadian Equity Index ETF (Unhedged Common Units) .....	11.9
				CI U.S. 1000 Index ETF (Unhedged Common Units) .....	11.0
				iShares Core MSCI EAFE ETF .....	9.2
				iShares Core MSCI Emerging Markets ETF .....	4.0
				Cash & Cash Equivalents .....	0.1
				<b>Total Net Assets (in \$000's)</b>	<b>\$1,000</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.