

# CI Morningstar National Bank Québec Index ETF

Management Report of Fund Performance for the period/year ended June 30, 2024

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 fund. You can get a copy of the semi-annual or 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.sedarplus.ca](http://www.sedarplus.ca).

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.

## RESULTS OF OPERATIONS

The Fund's net assets increased by \$2.6 million to \$69.9 million from December 31, 2023 to June 30, 2024. The Fund had net redemptions of \$1.4 million for the period. The portfolio's performance increased assets by \$4.4 million. The Fund paid distributions totalling \$0.4 million. Common Units returned 6.6% after fees and expenses for the six-month period ended June 30, 2024. Over the same time period, the Fund's benchmark returned 6.6%. The benchmark is the Morningstar® National Bank Québec Total Return Index™ (the Benchmark or the Index).

Economic weakness in Canada became more apparent during the period given the household sector's higher sensitivity to interest rates. The economy escaped recession in the second half of 2023 but continued to fall short of expectations so far in 2024. This was despite support from strong population growth, which is projected to slow significantly in the quarters ahead.

Signs of a slowdown in U.S. economic activity appeared as restrictive monetary policies worked their way through major developed economies with long and variable lags. While U.S. economic growth continued to outperform its peers, a softening became evident in the second quarter of 2024.

In June 2024, the Bank of Canada (BoC) lowered its overnight policy rate by 25 basis points (bps) to 4.75%. This was the first change to the policy interest rate since July 2023, and it marked the first critical step toward lower interest rates.

The U.S. Federal Reserve Board left its policy interest rate on hold in June 2024, but the global monetary easing cycle began with other central banks, including the BoC, lowering their key policy interest rates in response to slowing economic growth and moderating inflationary pressures. Disappointing U.S. inflation data led to fears of a reacceleration during the first quarter of 2024 and resulted in a significant decrease in expectations for interest rate cuts relative to the start of the year. However, more recent data revealed that price pressures were moderating. U.S. labour market data was mixed, but the trend also suggested a slowing.

U.S. equities were up for the period, with particular strength from the information technology sector, which appreciated almost 30%. Artificial intelligence (AI) adoption boosted spending and investment, benefiting U.S. companies and potentially driving growth in China and India. Corporate earnings driven by technological advancements continued to support equity returns.

The Fund performed in line with its benchmark over the period. The Fund's allocations to the health care, information technology and communication services sectors detracted from performance. The largest individual detractors from the Fund's performance were positions in Lightspeed Commerce Inc., BCE Inc. and CAE Inc.

Exposures to the industrials, consumer discretionary and consumer staples sectors contributed to the Fund's performance. Top individual contributors to the Fund's performance included holdings in Dollarama Inc., Atkinsrealis Group Inc. and Bombardier Inc.

Any notable changes made to the Fund's holdings during the period were related to rebalancing activity. Portfolios are obtained from Morningstar and rebalanced as per their direction with respect to constituents and weightings.

## RECENT DEVELOPMENTS

We are cautiously optimistic as we look toward the second half of 2024. Equity markets have been buoyed by the prospect of interest rate cuts by leading central banks as well as the enthusiasm for all things related to the AI boom. We see indications of softer economic activity due to weakening of consumer spending trends. Softer economic growth along with moderating inflationary trends are the leading arguments for lower interest rates. Any extension of the higher interest rate environment may lead to a recalibration of equity valuations.

As population growth slows in Canada, long-term potential growth prospects could hinge on an improvement in productivity, which has been on a downward trend for several years. AI provides some hope and may lead to improvement if adoption is successful. However, broader government policy support is necessary to drive long-term investment and competitiveness.

We believe that the BoC will make at least two additional 25-bp cuts to its policy interest rate by year-end. However, even with these cuts, a large number of mortgages are due to renew at considerably higher interest rates in 2025, posing a challenge to the Canadian economy.

While lower borrowing costs suggest a cyclical bottom in home sales is approaching, we expect housing activity is unlikely to rebound meaningfully in the near term. The inventory of existing homes for sale has continued to rise as sales activity remains slow. Rent price pressures are also easing, suggesting overall housing is returning to better equilibrium.

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## 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, 2024, for Series/Class or each of the Series/Classes, as applicable, is/are shown below:

	<b>Annual management fee rate (%)</b>
<b>Common Units</b>	0.500

The Manager received \$0.2 million 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, 2024. 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 February 02, 2012												
Listed TSX: QXM												
Jun. 30, 2024	26.68	0.29	(0.08)	0.53	1.03	1.77	-	(0.03)	-	(0.15)	(0.18)	28.27
Dec. 31, 2023	23.87	0.53	(0.15)	1.79	1.15	3.32	-	(0.32)	(1.60)	(0.01)	(1.93)	26.68
Dec. 31, 2022	25.99	0.51	(0.14)	2.31	(4.51)	(1.83)	-	(0.37)	(1.54)	-	(1.91)	23.87
Dec. 31, 2021	22.40	0.42	(0.15)	1.41	2.15	3.83	-	(0.24)	(1.17)	-	(1.41)	25.99
Dec. 31, 2020	22.45	0.43	(0.12)	(0.20)	0.03	0.14	-	(0.30)	-	-	(0.30)	22.40
Dec. 31, 2019	18.29	0.43	(0.12)	0.99	3.22	4.52	-	(0.28)	(0.63)	(0.01)	(0.92)	22.45

(1) This information is derived from the Fund's semi-annual and audited 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(s)/year(s) ended June 30, 2024 and December 31.

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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>(1320/04/05/06)</small>										
Commencement of operations February 02, 2012										
Listed TSX: QXM										
Jun. 30, 2024	69,921	2,474	0.57	0.50	0.07	0.57	14.35	0.01	3.70	28.28
Dec. 31, 2023	67,339	2,524	0.57	0.50	0.07	0.57	13.56	0.01	8.89	26.67
Dec. 31, 2022	67,405	2,824	0.57	0.50	0.07	0.57	14.39	0.02	16.21	23.87
Dec. 31, 2021	83,781	3,224	0.57	0.50	0.07	0.57	14.37	0.02	17.19	25.98
Dec. 31, 2020	71,090	3,174	0.57	0.50	0.07	0.57	14.21	0.05	26.39	22.41
Dec. 31, 2019	72,366	3,224	0.57	n/a <sup>^</sup>	n/a <sup>^</sup>	0.57	n/a <sup>^</sup>	0.01	9.96	22.46

(1) This information is derived from the Fund's semi-annual and 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 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(s)/year(s) ended June 30, 2024 and December 31.

(6) Closing market price.

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

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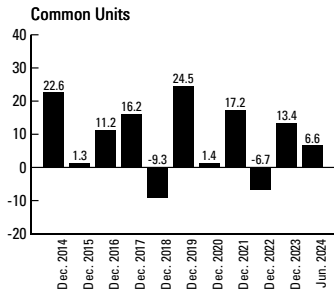
Management Report of Fund Performance for the period/year ended June 30, 2024

## 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 distributions made by the Fund in the period(s)/year(s) shown were reinvested in additional units of the Fund or relevant Series/Class of the Fund, as applicable. 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/charts shows/show the Fund's semi-annual and annual performance for each of the period(s)/year(s) shown and illustrates/illustrate how the Fund's performance has changed from period/year to period/year. In percentage terms, the chart/charts shows/show how much an investment made on the first day of each financial period/year would have grown or decreased by the last day of each financial period/year, except where noted.



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## SUMMARY OF INVESTMENT PORTFOLIO as at June 30, 2024

Category	% of Net Assets	Category	% of Net Assets	Category	% of Net Assets
<b>Country allocation</b>		<b>Sector allocation</b>		<b>Asset allocation</b>	
Canada .....	96.7	Industrials .....	32.0	Common Equities .....	99.7
U.S.A. ....	3.0	Financials .....	16.1	Other Net Assets (Liabilities) .....	0.2
Other Net Assets (Liabilities) .....	0.2	Consumer Staples .....	14.2	Cash & Cash Equivalents .....	0.1
Cash & Cash Equivalents .....	0.1	Consumer Discretionary .....	12.1		
		Communication Services .....	8.1		
		Materials .....	6.6		
		Information Technology .....	6.2		
		Utilities .....	2.5		
		Health Care .....	1.7		
		Real Estate .....	0.2		
		Other Net Assets (Liabilities) .....	0.2		
		Cash & Cash Equivalents .....	0.1		

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

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## SUMMARY OF INVESTMENT PORTFOLIO as at June 30, 2024 (cont'd)

Top 25 Holdings	% of Net Assets
Dollarama Inc. ....	6.1
Metro Inc. ....	5.2
AtkinsRealis Group Inc. ....	5.1
Alimentation Couche-Tard Inc. ....	5.0
WSP Global Inc. ....	5.0
Power Corp. of Canada ....	5.0
BCE Inc. ....	4.9
National Bank of Canada ....	4.7
CGI Inc. ....	4.6
TFI International Inc. ....	4.5
Canadian National Railway Co. ....	4.5
Gildan Activewear Inc. ....	4.2
iA Financial Corp., Inc. ....	4.2
CAE Inc. ....	3.9
Saputo Inc. ....	3.7
Bombardier Inc., Class B ....	3.7
Air Canada ....	3.1
Stella-Jones Inc. ....	2.5
Quebecor Inc., Class B ....	2.2
Osisko Gold Royalties Ltd. ....	1.9
Boralex Inc., Class A ....	1.7
Bausch Health Cos., Inc. ....	1.5
BRP Inc. of Canada ....	1.4
Nuvei Corp. ....	1.4
Lightspeed Commerce Inc. ....	1.3
<b>Total Net Assets (in \$000's)</b>	<b>\$69,921</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.