

# CI ENHANCED GOVERNMENT BOND ETF

TSX: FGO, FGO.U

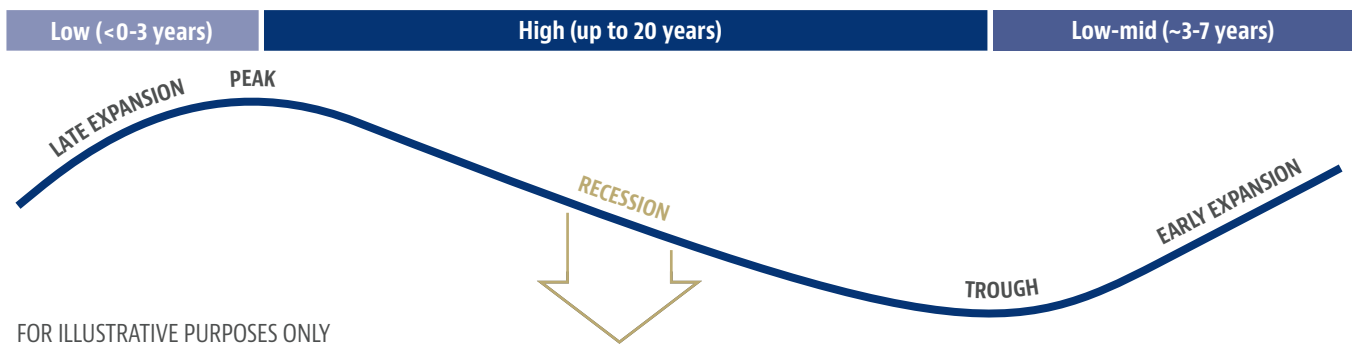


## THE ADVANTAGE OF “ACTIVE DURATION” ACROSS THE ECONOMIC CYCLE

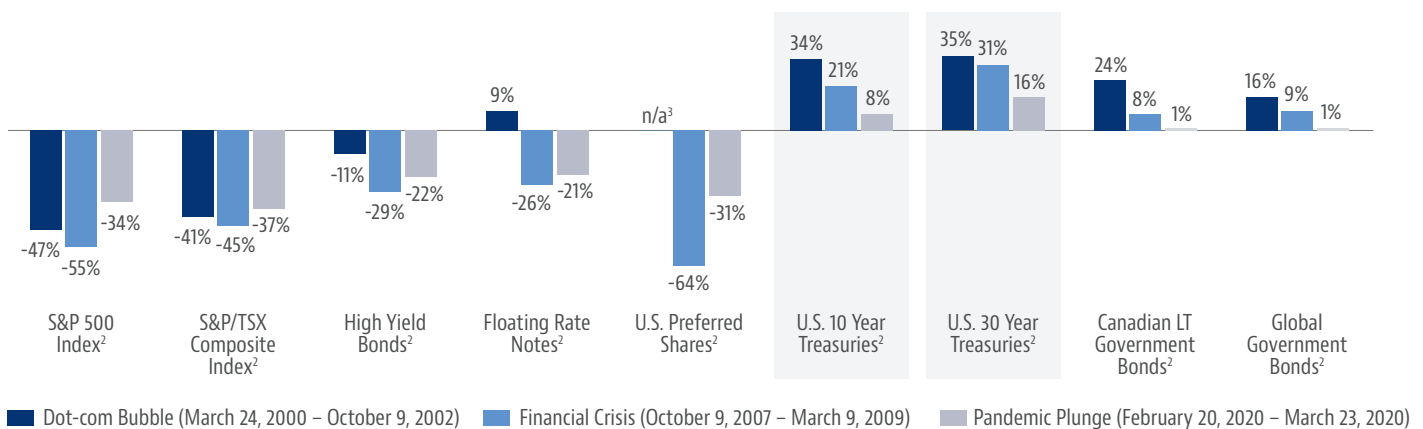
CI Enhanced Government Bond ETF (FGO) offers the flexibility to actively shorten portfolio duration in periods of rising interest rates along with the ability to rotate to longer-duration government bonds for additional protection during recessions. This flexibility is crucial in allowing investors to capitalize on both the current and upcoming phases of the credit cycle.

After a long period of strong performance for fixed-income asset classes such as high-yield, asset backed securities, floating rate notes and preferred shares, the 2020 bear market proved the importance of having government bond exposure in a portfolio. However, timing the inflection point to shift from an overweight position in credit to overweight exposure to quality and duration is no easy feat. Portfolios that allow for opportunistic shifts can capitalize on any move from “risk on” to “risk off” as government long-duration assets have tended to outperform during periods of market stress, as seen below.

## FGO’S DURATION STRATEGY



## RELATIVE ASSET CLASS RETURNS DURING PERIODS OF MARKET STRESS (%)<sup>1</sup>



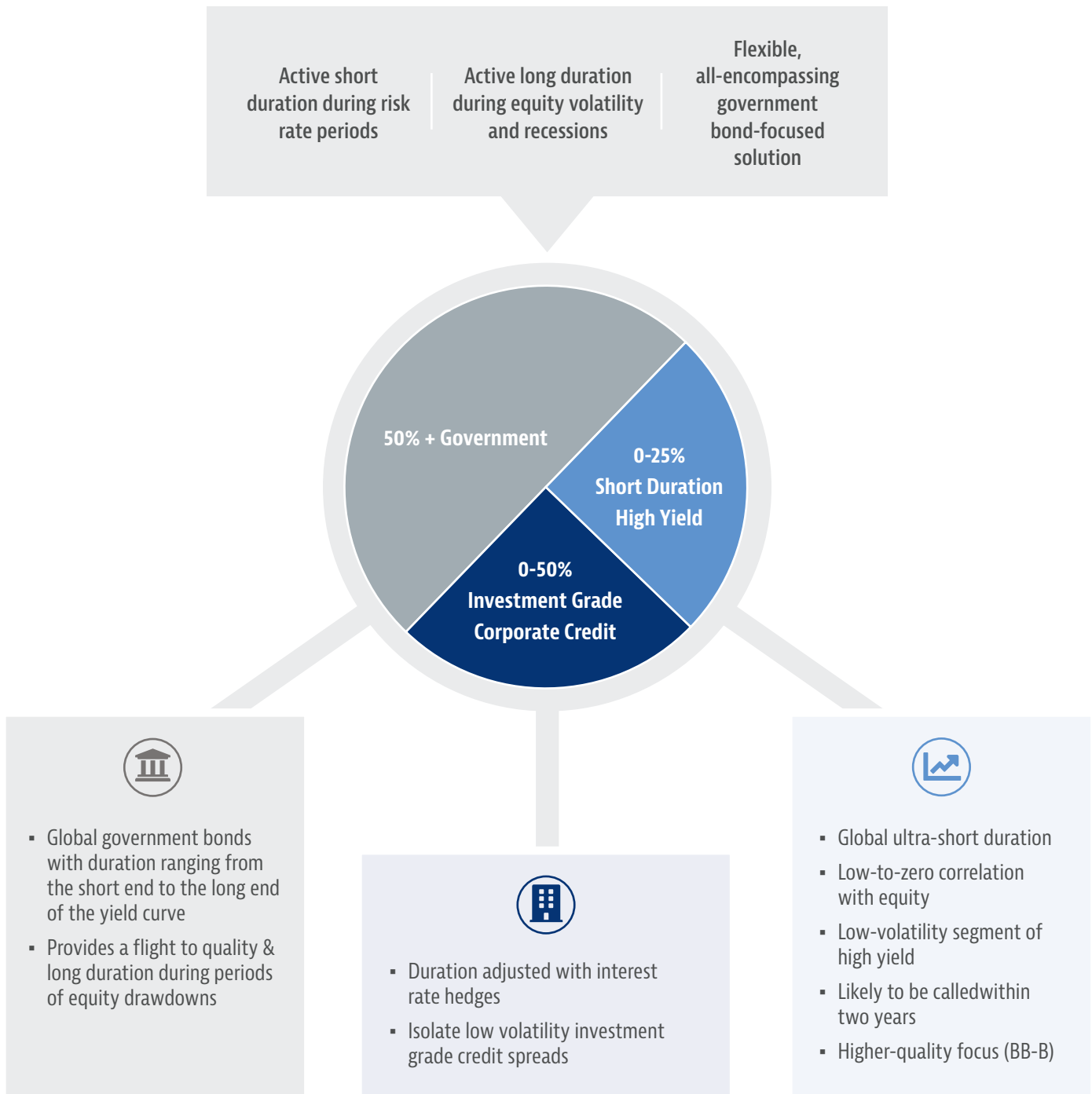
Source: Bloomberg Finance L.P. and Morningstar Research Inc. as at June 30, 2021.

<sup>1</sup> Periods of Market Stress defined as periods where the S&P 500 Index has declined by more than 15% from peak to trough. <sup>2</sup> S&P 500 Index refers to the S&P 500 TR USD Index. High Yield Bonds refers to ICE BofA U.S. High Yield TR Index (USD). Floating Rate Notes refers to S&P/LSTA Leveraged Loan TR Index (USD). US Preferred Shares refers to the S&P Preferred Stock Index TR (USD). US 10 Year Treasuries refers to ICE BofA Current 10-Year U.S. Treasury TR Index (USD). US 30 Year Treasuries refers to ICE BofA Current 30-Year US Treasury TR Index (USD). Canadian LT Government Bonds refers to the FTSE Canada LT All Governments Index (CAD). Global Government Bonds refers to the JP Morgan GBI Global Traded TR Index (USD). <sup>3</sup> Inception date of the S&P U.S. Preferred Stock Index (USD) occurs after Dot-com Bubble.

## PORTFOLIO COMPOSITION

During periods of late cycle interest rate volatility, FGO can keep duration low by holding primarily short-dated government bonds. It also has the ability to invest in short-dated investment-grade and ultra-short duration high-yield corporate bonds.

As the economic cycle advances to the next recessionary period, Marret Asset Management Inc., as the Portfolio Manager of the ETF, can increase duration up to 20 years by purchasing government bonds and/or government bond futures. These holdings can then be sold to reduce duration



## ACTIVE HEDGING AGAINST COMMON FIXED INCOME RISKS

FGO also employs several strategies to protect against the most common fixed-income risks, namely interest rate, credit, and currency risks. These strategies, in addition to a high allocation to government bonds, are designed to ensure capital is ultimately preserved.

### HEDGING OPPORTUNITIES

Interest Rate Risk	Credit Risk	Currency Risk
Ability to short government bonds and government bond futures.	Ability to short credit indexes to protect against widening credit spreads in both investment grade and high yield.	Currency-hedged to protect against currency fluctuations.



Marret Asset Management Inc. focuses on fixed-income investing and alternative strategies on behalf of institutional, high net worth and retail clients. Marret Asset Management Inc., is a majority owned subsidiary of CI Financial Corp. and an affiliate of CI Global Asset Management.

### LEAD PORTFOLIO MANAGER



**Adam Tuer, CFA, PhD**

Co-CIO, Head of Research, Marret Asset Management

Adam Tuer, CFA, PhD, is Co-Chief Investment Officer, Head of Research, Marret Asset Management. Adam joined Marret in January 2013, initially doing research on a consulting basis for the company on Central Bank liquidity and the impact of monetary policy. He joined Marret on a full-time basis in April 2013 as a Research Analyst. Prior to joining Marret, Adam developed optimal hedging strategies on derivatives for CIBC.

Adam has a PhD in Physics from the University of Toronto and an HSc (high distinction) in Physics with a Minor in Mathematics and Chemistry.

CI Global Asset Management, a leading provider of Exchange Traded Funds (ETFs) in Canada, offers a comprehensive suite of ETF solutions. Rooted in strong fundamentals, the diverse and specialized lineup of CI ETFs strive to deliver better risk-adjusted returns than the broad market while helping investors achieve their personal financial goals.

To learn more about this actively-managed fixed income solution, visit [www.firstasset.com](http://www.firstasset.com) or speak to your advisor.



## GLOSSARY

**Correlation:** A statistical measure of how two securities move in relation to one another. Positive correlation indicates similar movements, up or down, while negative correlation indicates opposite movements (when one rises, the other falls).

**Credit rating/risk:** An assessment of the creditworthiness of a borrower in general terms or with respect to a particular debt or financial obligation. Credit risk is the risk of default on a debt that may arise from a borrower failing to make required payment.

**Derivatives:** A financial security with a value that is reliant upon, or derived from, an underlying asset or group of assets. The derivative itself is a contract between two or more parties based upon the asset or assets. Its price is determined by fluctuations in the underlying asset.

**Drawdown:** Measures the peak-to-trough decline of an investment or, in other words, the difference between the highest and lowest price over a given timeframe

**Duration:** A measure of the sensitivity of the price of a fixed income investment to a change in interest rates. Duration is expressed as number of years. The price of a bond with a longer duration would be expected to rise (fall) more than the price of a bond with lower duration when interest rates fall (rise).

**Interest rate risk:** Refers to the chance that investments in bonds will suffer, as the result of unexpected interest rate changes.

**Leverage:** An investment strategy of using borrowed money - specifically, the use of various financial instruments or borrowed capital - to increase the potential return of an investment.

**Liquidity:** The degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price. Cash is considered to be the most liquid asset, while things like fine art or rare books would be relatively illiquid.

**Return (relative):** The performance of one investment versus another. The most commonly reported relative returns are mutual fund returns relative to their benchmark indexes.

**Return (risk-adjusted):** A measure of investment performance taking into consideration how much risk/volatility was assumed to generate it. Consider two investments, both of which return 10% over a given time period. The investment with the greater risk-adjusted return would be the one that experienced less price fluctuation. Two of the most commonly used measures of risk adjusted returns are Sharpe and Sortino ratios.

**Volatility:** Measures how much the price of a security, derivative, or index fluctuates. The most commonly used measure of volatility when it comes to investment funds is standard deviation.

**Yield curve:** A line that plots the interest rates of bonds having equal credit quality but differing maturity dates. A normal or steep yield curve indicates that long-term interest rates are higher than short-term interest rates. A flat yield curve indicates that short-term rates are in line with long-term rates, whereas an inverted yield curve indicates that short-term rates are higher than long-term rates.

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