

Marret Investment Grade Hedged Strategies Fund | Class F, CAD April 2019 Commentary

FUND STATISTICS

Date of Inception	October 1, 2010
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PERFORMANCE	AS AT APRIL 30, 2019
Since Inception	4.65%
MTD	0.62%
YTD	2.31%
1 YR	1.70%
3 YR	3.79%
5 YR	3.91%

Source: Marret Asset Management Inc.
April 30, 2019

Market Developments

Despite continued weakness in the economic data globally, equity markets moved higher on expectations of a positive conclusion to U.S./China trade talks, Q1 earnings which met expectations despite significant downward revisions, and expectations of better second half 2019 economic growth. Major equity indices in North America and Europe advanced 3% to 4%. The laggard was the UK, as continued Brexit uncertainty limited the FTSE 100's advance to 1.9%.

Strength in stocks helped credit spreads tighten further following a pause in March. As defined by the Bloomberg Barclays Aggregate Corporate Average OAS Indices, investment grade corporate credit spreads tightened by 8, 10, 16 and 12 basis points in the U.S., Canadian, European and UK markets respectively. The technicals in credit markets, namely, supply, fund inflows and the requirement for yield, continued to assist the move tighter in credit spreads as well.

Fund returns for the month were 0.62% bringing year-to-date performance to 2.29%. Our benchmark, the FTSE/TMX All Corporate Bond Index, returned 0.30% for the month and year-to-date is 4.33%. The benchmark is a long only bond index. The Fund, conversely, invests long/short across U.S., Canadian and European investment grade corporate bonds on a hedged basis.

Over the course of the month, the Portfolio maintained average leverage of 1.2 times and a currency denominated weighting of 77% Canada and 21% U.S. Based on these metrics and the returns of the respective geographic credit indices, Portfolio returns for the month should have approximated 74 basis points. Portfolio gross returns were 67.5 basis points. This modest underperformance is largely due to security selection in the U.S. dollar denominated portion of the Portfolio. Specific technology, telecom and financial names to which we have exposure underperformed the U.S. market as a whole. This was offset by an outperformance in the Canadian dollar denominated Portfolio and by value added from interest rate overlays. Short positions in credit indices had a -5.5basis point contribution to returns.

Market Outlook

How long can it last? That is question we keep asking ourselves. That is, how long can the technical bid in the market outlast the fundamental direction of the economic fundamentals. Perhaps in this era of unprecedented monetary policy, market technicals can out last fundamentals for longer than historically observed. However, we are convinced there has to be some reversion to reality and just more “dollars than sense” cannot last forever. Accordingly, we will take the returns generated from credit this month and bank them. But, our view on remaining cautious on risk assets has not been shaken by the month’s price action. Global economic growth has not stabilized, in fact it continues to deteriorate. Until we see a reversal in this trend, we want to remain cautious on risk taking and believe risk assets are mispriced relative to earnings and credit fundamentals.

Source: Marret Asset Management Inc., Bloomberg L.P., FTSE Russell.

FUND PERFORMANCE %, CLASS F, CAD

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2019	1.19%	0.47%	0.02%	0.62%									2.31%
2018	0.80%	(0.40%)	(0.47%)	0.37%	(0.38%)	(0.24%)	0.88%	0.27%	0.18%	(0.43%)	(0.49%)	(0.38%)	(0.30%)

Source: Marret Asset Management Inc.
April 30, 2019

* The strategy aims to generate better risk-adjusted returns over the cycle compared to long only mandates, making the FTSE Canada All Corporate Bond Index a suitable Canadian hedge fund index to compare against. There is no Canadian hedge fund index for a global long and short leveraged fund and most corporate fixed income assets in Canada are managed relative to this index. Provided that the fund’s mandate enables flexibility on geographies, strategies, and securities, we selected this index as the most representative amongst those available. The Fund invests in long and short bonds while employing currency hedging and a leverage strategy, whereas the index is a long only corporate bond index.

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The offering of units of the Fund is made pursuant to its Offering Memorandum only to those investors who meet certain eligibility and minimum purchase requirements. Eligible investors should read the Fund's Offering Memorandum before investing. Investment funds are not guaranteed, their values change frequently, and past performance may not be repeated. Commissions, trailing commissions, management fees and expenses all may be associated with investment funds.

The indicated rates of return are the historical annual compound total returns net of fees (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns.

Class F securities are generally only available to clients who have a fee-based account with their dealer. MAMI does not pay trailing commissions to dealers who sell Class F securities, which means MAMI can charge a lower management fee compared to Class A of the same Fund. A lower management fee may positively impact the performance data shown when compared to Class A.

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The comparison presented is intended to illustrate the Fund's historical performance as compared with the historical performance of the FTSE Canada All Corporate Bond Index. There are various important differences that may exist between the Fund and the stated index that may affect the performance of each. The objectives and strategies of the Fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indices. Indices are unmanaged, and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices.

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