MARRET ASSET MANAGEMENT INC.

# Marret Enhanced Tactical Fixed Income Fund

Class F, CAD | Weekly Commentary | March 17, 2020

| Date of Inception | November 28, 2014 |
|---|---|

| Weights | |
|---|---|
| Cash | 13% |
| Commercial Paper | 1% |
| Govt. Bonds | 18% |
| IG Bonds | 30% |
| HY Bonds | 39% |
| Equities | 0% |

| Yield Information | |
|---|---|
| Yield to Maturity | 3.56% |
| Current Yield | 3.79% |
| Yield to Worst | 3.43% |
| Average Duration | 1.12 Years |

| Performance | As at Mar. 13, 2020 |
|---|---|
| Since Inception | 3.50% |
| MTD | -0.50% |
| YTD | -0.01% |
| 1 YR | 2.02% |
| 3 YR | 2.41% |
| 5 YR | 3.15% |
| NAV | 10.9424 |
| Distribution YTD* | 0.0439 |

*Current Period Distribution: 0.0220
Source: Marret Asset Management Inc., March 13, 2020

Markets remained extremely volatile over the past week with the Volatility Index reaching levels only seen during the financial crisis of 2008. Equity markets worldwide experienced significant declines last week as the World Health Organization declared the COVID-19 outbreak a pandemic. Credit spreads widened materially as the risk of a recession grows. Government bond and gold prices also fell last week as investors focused on selling what they could to raise liquidity.

| Market Performance | Mar 6 | Mar 13 |
|---|---|---|
| S&P 500 | | |
| Index Level | 2,972 | 2,711 |
| Pct. Chg. (%) | | -8.79% |
| BofA Merrill Lynch U.S. High-Yield Index | | |
| Yield | 6.20% | 8.19% |
| Yield Δ | | +199bps. |
| Bloomberg Barclays U.S. Aggregate Corporate Index | | |
| Spread | 144 | 216 |
| Spread Δ | | +72bps. |
| UST 10Yr. Yield | 0.76% | 0.96% |
| 3-Month CAD Bankers' Acceptance | 1.25% | 1.24% |

The Fund continued to take advantage of the dislocation in credit markets and added risk at more attractive levels. The Fund increased its holdings in high yield more meaningfully for the first time in over a year, after reducing exposure to the asset class over the course of the last few quarters given rich valuations. The recent correction has created an opportunity to add primarily shorter dated high yield credit at attractive valuations as some investors are being forced to raise cash given recent outflows from the asset class. As a result, the portfolio yield has risen considerably and is currently much more attractive. Whereas we do appreciate the fragile state of the economy, as we all look to reduce activity in an effort to contain the spread of the coronavirus, we also recognize that yield opportunities in secured credit, shorter dated credit and higher quality longer dated credit have once again become attractive and currently provide an opportunity. While we are cognizant of the ongoing volatility that will persist due to uncertainty with respect to both the magnitude and duration of the economic downturn, we have also found through experience that making these transitions are most often the right thing to do. We expect continued policy responses on both fiscal and monetary fronts, globally, to provide a bridge to an eventual economic recovery and a restoration of confidence to allow for a more orderly flow of credit, both of which should eventually reduce credit spreads to more normal levels, providing attractive returns from where we currently are. In the interim, a higher current yield should adequately compensate our investors for the increased volatility as we wait. We will continue to remain diversified, stay liquid, and be slow and measured in our pace as we add exposure in market weakness, while monitoring both the spread of the virus and its expected impact on growth.

*Sources: Marret Asset Management Inc., Bloomberg Finance L.P.*




Source: Marret Asset Management Inc., March 13, 2020 Publication date: March 19, 2020