

MARRET INVESTMENT GRADE HEDGED STRATEGIES FUND

Monthly Commentary | June 2021

PERFORMANCE (As at June 30, 2021)

	MTD	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception
Marret Investment Grade Hedged Strategies Fund, Series F, CAD	0.26%	1.77%	7.91%	6.58%	5.68%	5.44%	5.33%

Date of Inception: October 1, 2010

Source: Marret Asset Management Inc., June 30, 2021

FUND SUMMARY

KEY FACTS	
NAV/unit (Series F)	\$13.7325
Distribution YTD	0.4992
Management fee (Series F)	100 bps
Performance fee	15%
Hurdle rate	5%
Yield to worst	1.48%
Average duration	0.47 years
Liquidity	Monthly
Series F Fund Code	CIG 44500 (C\$) CIG 46000 (US\$)

USE OF LEVERAGE

EXPOSURE	
Gross Exposure	253.4%
Net Exposure	24.2%

ASSET CLASS BREAKDOWN

ASSET CLASS	LONG	SHORT	NET
Cash & Equivalents	73.7%	-	73.7%
Accrued Interest	0.6%	-	0.6%
High Yield	7.8%	-	7.8%
High Grade	114.9%	-2.3%	112.6%
Government Bonds	14.5%	-112.3%	-97.8%
Government Futures	-	-	-
Equities	1.6%	-	1.6%

Market Developments

Risk markets posted strong gains in June, despite some mid-month volatility surrounding the Federal Reserve Open Market Committee's meeting to set policy on interest rates. The Fed surprised markets with a "hawkish" twist. Not only was there finally clear acknowledgement of a strengthening economy, and an expectation of improving labour conditions over the coming months and quarters, but committee members also pulled forward their anticipation of higher interest rates as shown on their dot plot. After some initial turbulence, risk markets responded positively. The S&P 500 composite index advanced to new record highs, while IG spreads rallied to fresh cycle lows.

Investment grade credit spreads tightened 4, 2 and 3 basis points in the U.S., Europe and the UK respectively, based on the Bloomberg Barclays Aggregate Corporate Average OAS Indices. In Canada, credit spreads were marginally wider after a record \$19bn of monthly new issue supply.

Government bond yields rallied post the FOMC meeting as a "responsible" FED was considered a positive by rates markets. Ten-year Government bond yields in the U.S., Canada, Germany and the UK declined by 13, 10, 2 and 8 basis points respectively over the period.

Portfolio Performance

Based on the ICE BofA Corporate Indices, excess returns, that is the return from investment grade corporate credit spreads ex-duration, for the month were +52 basis points in the U.S. and +20 basis points in Canada. Utilizing these excess returns and adjusting for the Portfolio's geographic positioning (Canada 75% and U.S. 25%) and leverage (1.3x), the monthly return would have been approximately +36 basis points. Portfolio returns for the period were +26 basis points.

FUND EXPOSURE

ISSUER COUNTRY	GROSS EXPOSURE
Canada	70.9%
United States	24.8%
Other	4.3%

TOP FIVE HOLDINGS

HOLDING	WEIGHT
T 1 3/8 01/31/25	7.6%
TII 0 1/2 01/15/28	5.0%
Wells Fargo & Company 2.493% 18Feb2027	3.6%
Dollarama Inc 3.55% 06Nov2023	3.3%
Bruce Power LP 4.746% 21Jun2049	2.7%

MATURITY PROFILE

YEARS TO MATURITY	GOVERNMENT BONDS	CORPORATE BONDS
0 to 3	-22.1%	22.6%
3 to 5	-26.2%	25.7%
5 to 10	-31.8%	43.6%
10+	-17.6%	28.5%

Source: Marret Asset Management Inc., June 30, 2021

The Portfolio's exposure to financials, REITS and retail credits, which were negatively impacted by the heavy new issue supply in Canada, contributed to the Fund's underperformance relative to the excess return of the indices.

Our benchmark, the FTSE/TMX All Corporate Bond Index, returned 0.78% for the month. Year-to-date, the benchmark return is -2.26%. Portfolio returns YTD are +1.76%. 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.

Market Outlook

While the progress of the coronavirus remains a critical factor in terms of the economic recovery, we believe that we are nearing peak growth, inflation and liquidity. We expect global economic growth to peak near the end of this year along with liquidity. Headline inflation has likely peaked this past month, while core inflation is expected to remain persistently high into the early part of 2022. The combination of peak growth, inflation, liquidity (i.e. extremely accommodative monetary policy) and potentially corporate earnings, does not make for a positive recipe for credit spreads. This macro-economic backdrop, along with stretched valuations in risk assets, is what has motivated us to keep our risk exposure low, a positioning we intend to maintain until we get either some short term volatility that we can trade or a more formidable drawdown.

Within the context of this market view and Portfolio positioning, we do acknowledge that the removal of accommodative central bank policy will be slow and that strong technicals will remain supportive for credit.

Performance % | Series F, CAD

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD
2021	0.63%	0.03%	0.00%	0.41%	0.42%	0.26%							1.77%
2020	0.66%	0.28%	(7.04%)	7.16%	1.85%	2.56%	2.00%	0.80%	(0.17%)	0.50%	2.01%	0.78%	11.38%

Source: Marret Asset Management Inc., June 30, 2021

IMPORTANT DISCLAIMERS

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 Yield Information reported is representative of the strategy and not any individual client yield. These figures are compiled from third-party sources believed to be reliable, however, care should be taken when relying on these figures as the information is obtained from third party sources that may or may not be verified. All data presented is unaudited.

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.

Series 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 Series F securities, which means MAMI can charge a lower management fee compared to Series A of the same Fund. A lower management fee may positively impact the performance data shown when compared to Series A.

This commentary has been prepared for Marret Asset Management Inc. is confidential and may not be redistributed. It is for general information purposes only and is not intended to provide personal investment advice. Investors should consult their own professional advisor for specific investment advice tailored to their needs and based on the latest available information.

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.

This document is provided as a general source of information and should not be considered personal, legal, accounting, tax or investment advice, or an offer or a solicitation to buy or sell securities. Every effort has been made to ensure that the material contained in this document is accurate at the time of publication. Market conditions may change which may impact the information contained in this document. All charts and illustrations in this document are for illustrative purposes only. They are not intended to predict or project investment results. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies.

All opinions, projections and estimates herein reflect the author's judgment as of the date of the document, may not be realized, and are subject to change without notice. The information contained in this document, including information relating to interest rates, market conditions, tax rules and other investment factors are subject to change without notice. Nothing in this document is or should be relied upon as a promise or representation as to the future.

Marret Asset Management Inc. is a majority owned subsidiary of CI Financial Corp. and an affiliate of CI Global Asset Management.

Source: Marret Asset Management Inc., June 30, 2021 Publication date: July 21, 2021