

MARRET INVESTMENT GRADE HEDGED STRATEGIES FUND

Monthly Commentary | October 2021

PERFORMANCE (As at October 31, 2021)

	MTD	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception
Marret Investment Grade Hedged Strategies Fund, Series F, CAD	0.32%	3.01%	5.90%	6.70%	5.38%	5.81%	5.28%

Date of Inception: October 1, 2010

Source: Marret Asset Management Inc., October 31, 2021

FUND SUMMARY

KEY FACTS	
NAV/unit (Series F)	\$13.7491
Distribution YTD	0.6500
Management fee (Series F)	100 bps
Performance fee	15%
Hurdle rate	5%
Yield to worst	1.48%
Average duration	0.61 years
Liquidity	Monthly
Series F Fund Code	CIG 44500 (C\$) CIG 46000 (US\$)

USE OF LEVERAGE

EXPOSURE	
Gross Exposure	265.6%
Net Exposure	29.7%

ASSET CLASS BREAKDOWN

ASSET CLASS	LONG	SHORT	NET
Cash & Equivalents	68.5%	-	68.5%
Accrued Interest	0.2%	-	0.2%
High Yield	8.5%	-	8.5%
High Grade	120.9%	-1.7%	119.2%
Government Bonds	16.7%	-116.2%	-99.5%
Government Futures	-	-	-
Equities	1.5%	-	1.5%

Market Developments

During October, increasing inflation expectations, driven by higher energy prices, continued supply chain bottlenecks, and the ebbing of COVID's Delta wave, forced central banks to accelerate their timelines for withdrawing monetary accommodation. Those shifts in monetary policy resulted in increased interest rate volatility and flattening yield curves. Ten-year Government bond yields in the U.S., Canada, Germany and the UK were 7, 21, 9 and 1 basis points higher respectively. Canada's underperformance was based on more hawkish sentiment from the Bank of Canada. Government bonds in the front end and belly of the curve suffered losses while the long end generated gains. Corporate bond spreads were stable with investment grade spreads a touch wider and high yield slightly tighter. The back up in Government bond yields in Canada, combined with a very light corporate issuance calendar, allowed investment grade corporate credit spreads to tighten by 2 basis points. Conversely, IG credit spreads in the U.S., Europe and UK were 2-3 wider.

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 9 basis points in the U.S. and 44 basis points in Canada. Utilizing these excess returns and adjusting for the Portfolio's geographic positioning (Canada 76% and U.S. 24%) and leverage (1.3x), the monthly return would have been approximately 46 basis points. Portfolio returns for the period were +32 basis points.

The Fund's underperformance over the period was largely based on the curve positioning of the Portfolio's credit exposure in Canada. The significant rise in Canadian Government bond yields was more adverse for belly (5-10

FUND EXPOSURE

ISSUER COUNTRY	GROSS EXPOSURE
Canada	71.5%
United States	23.7%
Other	4.8%

TOP FIVE HOLDINGS

HOLDING	WEIGHT
TII 0 1/2 01/15/28	5.0%
T 1 3/8 01/31/25	4.8%
Canadian T-Bill 0 11/10/21	3.9%
Wells Fargo & Company 2.493% 18Feb2027	3.4%
Bank of Nova Scotia 1.85% 02Nov2026	3.3%

MATURITY PROFILE

YEARS TO MATURITY	GOVERNMENT BONDS	CORPORATE BONDS
0 to 3	-22.2%	29.8%
3 to 5	-26.7%	22.5%
5 to 10	-33.5%	43.7%
10+	-17.0%	31.7%

Source: Marret Asset Management Inc., October 31, 2021

year) corporate bonds hedged, relative to shorted and longer dated credit. These latter sectors benefitted from yield and duration buying of credit, whereas belly credit spreads, were unable to absorb the move higher in yields.

Our benchmark, the FTSE/TMX All Corporate Bond Index, returned -0.89% for the month. Year-to-date, the benchmark return is -3.26%. Portfolio returns YTD are +3.01%. The benchmark is a long only bond index, and was disadvantaged significantly during the month, from the rise in Government bond yields. The Fund, conversely, invests long/short across U.S., Canadian and European investment grade corporate bonds on a hedged basis.

Market Outlook

Looking forward, despite continuing labor market improvements and receding risk from the Delta variant, we remain cautious as central banks become less accommodative. This reduction of support will most likely result in increased volatility in financial markets. While we expect economic growth to improve over the coming quarters, we also believe that inflation will remain stubbornly high. This presents a challenge for central banks as they may be required to take further measures to drain excessive liquidity to keep longer term inflation expectations stable. Additional tightening would act as a headwind for both the economy and markets given elevated valuations. This supports our continued defensive stance while giving us flexibility to take advantage of improvements in valuations.

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%	0.29%	0.20%	0.42%	0.32%			3.01%
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., October 31, 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.

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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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