

MARRET INVESTMENT GRADE HEDGED STRATEGIES FUND

Monthly Commentary | November 2021

PERFORMANCE (As at November 30, 2021)

	MTD	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception
Marret Investment Grade Hedged Strategies Fund, Series F, CAD	-0.62%	2.38%	3.17%	6.65%	5.25%	5.75%	5.18%

Date of Inception: October 1, 2010

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

FUND SUMMARY

KEY FACTS	
NAV/unit (Series F)	\$13.5692
Distribution YTD	0.7451
Management fee (Series F)	100 bps
Performance fee	15%
Hurdle rate	5%
Yield to worst	1.81%
Average duration	0.44 years
Liquidity	Monthly
Series F Fund Code	CIG 44500 (C\$) CIG 46000 (US\$)

USE OF LEVERAGE

EXPOSURE	
Gross Exposure	277.4%
Net Exposure	25.4%

ASSET CLASS BREAKDOWN

ASSET CLASS	LONG	SHORT	NET
Cash & Equivalents	72.8%	-	72.8%
Accrued Interest	0.2%	-	0.2%
High Yield	9.8%	-	9.8%
High Grade	129.0%	-1.8%	127.3%
Government Bonds	12.5%	-124.2%	-111.7%
Government Futures	-	-	-
Equities	-	-	-

Market Developments

The discovery of a new COVID-19 variant overshadowed all other developments in the month. Prior to the discovery of Omicron, markets were focused on economic cycle progress, elevated inflation, and the next Federal Reserve Chair. After Jerome Powell was chosen to remain as Chair, interest rates increased, pricing in monetary policy that would be more focused on getting inflation under control. Soon after, Omicron variant headlines hit sentiment, which quickly led to a risk-off environment. Both interest rates and equities fell as investors feared another wave of lockdowns that could slow economic growth. The flight to safety resulted in government bonds performing well, with gains across the curve during the month. The risk-off tone combined with the headwinds of large primary issuance, elevated dealer inventories, and limited overseas buying caused investment grade corporate credit spreads to widen. Based on the Bloomberg Barclays Aggregate Corporate Average OAS Indices, investment grade corporate credit spreads in the U.S., Canada, Europe and UK were 12, 9, 21 and 11 basis points wider. The widening of credit spreads in the U.S. during the month, equated to the single worst excess return period since March 2020. Risk assets like equities and high yield bonds suffered losses.

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 -105 basis points in the U.S. and +9 basis points in Canada. Utilizing these excess returns and adjusting for the Portfolio's geographic positioning (Canada 78% and U.S. 22%) and leverage (1.3x), the monthly return would have been approximately -22 basis points. Portfolio returns for the period were -62 basis points.

FUND EXPOSURE

ISSUER COUNTRY	GROSS EXPOSURE
Canada	71.1%
United States	24.5%
Other	4.3%

TOP FIVE HOLDINGS

HOLDING	WEIGHT
TII 0 1/2 01/15/28	5.2%
T 1 3/8 01/31/25	5.0%
Wells Fargo & Company 2.493% 18Feb2027	3.5%
Bank of Nova Scotia 1.85% 02Nov2026	3.4%
Inter Pipeline Ltd 3.983% 25Nov2031	3.3%

MATURITY PROFILE

YEARS TO MATURITY	GOVERNMENT BONDS	CORPORATE BONDS
0 to 3	-26.1%	32.3%
3 to 5	-28.4%	26.2%
5 to 10	-38.8%	47.4%
10+	-18.4%	31.2%

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

The Fund's underperformance over the period was largely due to the credit duration of the Portfolio, which was 8.25 years (benchmark 6.67 years). In a widening credit environment, longer-dated credit spreads were more materially impacted than those in the short-end.

During the period a credit index hedge was initiated as well as a long Government bond overlay. Both contributed positively to returns.

Credit exposure was added to the Portfolio, as we deemed the aggressive widening of spreads in the U.S., to be a short-term buying opportunity.

Our benchmark, the FTSE/TMX All Corporate Bond Index, returned 0.47% for the month. Year-to-date, the benchmark return is -2.80%. Portfolio returns YTD are +2.38%. The benchmark is a long only bond index and was advantaged by the sharp decline 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

The Omicron variant will drive market performance in the near term. If it is highly transmissible with similar health outcomes to previous COVID-19 waves, then expect lockdowns and restrictions. Policymakers will have a tougher time easing

monetary policy and providing fiscal support in the current inflationary environment though. This would present a poor set up for risk assets. However, if Omicron has milder health outcomes, due to the mutation itself or the effectiveness of vaccines, markets will likely normalize as economic growth continues.

In an environment of heightened macro-economic risk and valuations which are historically expensive, we continue to believe that maintaining optionality in the Portfolio is astute. This has given us the ability add risk when premiums increased (as we did this month) and reduce when the margin for error minimizes.

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%	-0.62%		2.38%
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., November 30, 2021

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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 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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