MARRET INVESTMENT GRADE HEDGED STRATEGIES FUND

Monthly Commentary | March 2022

PERFORMANCE (As at March 31, 2022)

	MTD	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception
Marret Investment Grade Hedged Strategies Fund, Series F, CAD	0.27%	(1.32%)	0.84%	5.90%	4.49%	5.17%	4.95%

Date of Inception: October 1, 2010

Source: Marret Asset Management Inc., March 31, 2022

FUND SUMMARY

KEY FACTS	
NAV/unit (Series F)	$13.3034
Distribution YTD	0.1019
Management fee (Series F)	100 bps
Performance fee	15%
Hurdle rate	5%
Yield to worst	2.76%
Average duration	0.69 years
Liquidity	Monthly
Series F Fund Code	CIG 44500 (C$) CIG 46000 (US$)

USE OF LEVERAGE

EXPOSURE	
Gross Exposure	238.5%
Net Exposure	26.4%

ASSET CLASS BREAKDOWN

ASSET CLASS	LONG	SHORT	NET
Cash & Equivalents	71.3%	-	71.3%
Accrued Interest	0.5%	-	0.5%
High Yield	9.3%	-	9.3%
High Grade	116.9%	-1.9%	115.0%
Government Bonds	6.2%	-104.1%	-97.9%
Government Futures	-	-	-
Equities	-	-	-

Market Developments

Going into March, the war in Ukraine and the pace of monetary policy normalization were the largest uncertainties facing investors. The war did not spread outside Ukraine, allowing risk markets to rally from their February lows. No peace accord has been reached, so uncertainty remains. Still, markets were relieved that the war did not immediately escalate to involve other nations. On the monetary policy front, March featured meetings and speeches from key central banks across the world. It was clear from their communications that central banks feel pressured to accelerate the pace of monetary policy normalization given broadening inflationary pressures. The Fed only hiked 25bps as expected at its March meeting. However, the accompanying dot plot and a later speech by Chair Powell triggered a significant upward revision to the expected path of rate increases. The Bank of Canada also hiked 25bps and indicated multiple interest rate hikes to come. As a result, government bonds yields jumped, causing significant losses for government bonds. The yield curve flattened, even inverting in some parts.

Ten year Government bond yields in the U.S., Canada, Germany and the UK increased by 51, 60, 41 and 20 basis points respectively in March.

Investment grade corporate credit spreads continued their February widening trend until mid-month on heavy new issue supply, the back up in Government bond yields and concern over the military conflict in Ukraine. However, as the military conflict remained geographically contained, the combination of higher yields and wider spreads supported aggressive buying, allowing credit spreads to tighten in most markets. Based on the Bloomberg Barclays Aggregate Corporate Average OAS Indices, investment grade corporate credit spreads in the U.S., Canada, Europe and UK were -6, +1, -15 and -1 basis points respectively.

FUND EXPOSURE

ISSUER COUNTRY	GROSS EXPOSURE
Canada	73.3%
United States	21.3%
Other	5.4%

TOP FIVE HOLDINGS

HOLDING	WEIGHT
T 1 3/8 01/31/25	3.6%
Wells Fargo & Company 2.493% 18Feb2027	3.2%
Bank of Nova Scotia 1.85% 02Nov2026	3.1%
Dollarama Inc 3.55% 06Nov2023	3.0%
Inter Pipeline Ltd 3.983% 25Nov2031	2.2%

MATURITY PROFILE

YEARS TO MATURITY	GOVERNMENT BONDS	CORPORATE BONDS
0 to 3	-13.7%	28.0%
3 to 5	-35.2%	34.0%
5 to 10	-34.2%	35.7%
10+	-14.9%	26.6%

Source: Marret Asset Management Inc., March 31, 2022

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 65 basis points in the U.S. and -34 basis points in Canada. Utilizing these excess returns and adjusting for the Portfolio's geographic positioning (Canada 80% and U.S. 20%) and leverage (1.3x), the monthly return would have been -19 basis points. Portfolio returns for the period were +27 basis points.

The funds outperformance during the period was attributable to the following: 1) an increase of leverage intra-month to trade more attractive valuations in secondary U.S. dollar denominated corporate credit 2) aggressively trading of new issues in both Canada and the U.S. and 3) management of our interest rate overlays.

Our benchmark, the FTSE/TMX All Corporate Bond Index, returned -2.60% for the month. Year-to-date, the benchmark return is -6.45%. Portfolio returns YTD are -1.32%. 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

As central banks continue to normalize monetary policy to curb inflation and engineer a soft landing, the inflation backdrop has become even more complicated. The rise of COVID-19 cases in China has further exacerbated supply chains and the war in Ukraine as pushed commodity prices higher.

This second phase of inflation (post the initial phase from COVID-19 created by fiscal stimulus, insufficient inventories and pent-up demand) risks inflation broadening into more impactful core areas such as food, energy, wages, and rents. Many commodity prices have already increased substantially, most importantly energy.

Disappearing fiscal stimulus and falling consumer confidence could result in significant margin pressure as companies struggle to pass on the rising input costs. Individuals would likely reduce consumption as they feel squeezed by inflation eroding their real purchasing power. Furthermore, deteriorating margins could pressure employment as companies try to cut costs, which would hurt consumer spending even more. Such a negative feedback loop would almost certainly result in a recession. This pattern was seen in the 1970s.

Our macro-economic outlook combined with the recent rebound in risk asset valuations, influences us to position the Fund more defensively. Over the course of the next few months, we expect to sell into credit spread tightening, reduce overall long credit risk exposure and credit duration, and begin to hedge the portfolio for a widening in credit spreads. Within this intermediate strategy, the Fund will continue to actively trade credit both long and short, to generate returns.

Performance % | Series F, CAD

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD
2022	(0.73%)	(0.86%)	0.27%										(1.32%)
2021	0.63%	0.03%	0.00%	0.41%	0.42%	0.26%	0.29%	0.20%	0.42%	0.32%	(0.62%)	0.49%	2.87%

Source: Marret Asset Management Inc., March 31, 2022

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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