

MARRET ENHANCED TACTICAL FIXED INCOME FUND

Weekly Commentary | September 16, 2022 | Series F, CAD

WEIGHTS	
Cash	23%
Commercial Paper	0%
Govt. Bonds	18%
IG Bonds	29%
HY Bonds	26%
Bank Loans	4%
Equities	0%

YIELD INFORMATION	
Yield to Maturity	4.72%
Current Yield	3.53%
Yield to Worst	4.72%
Average Duration	1.96 Years

PERFORMANCE	
Since Inception	2.63%
MTD	-0.31%
YTD	-2.80%
1 YR	-2.69%
3 YR	0.86%
5 YR	1.53%
NAV	10.5459
Distribution YTD*	0.1474

*Current Period Distribution: 0.0160
 Date of Inception: November 28, 2014
 Source: Marret Asset Management Inc.,
 September 16, 2022

Financial assets plunged last week as stronger-than-expected inflation data triggered the largest daily decline in the S&P500 since 2020. On Tuesday, core consumer price inflation was a blistering +0.6% month over month versus expectations of only +0.3%. On Wednesday, core producer price inflation was +0.4% month over month versus expectations of +0.3%. On Thursday, US initial jobless claims of +213k were lower than expected for the sixth consecutive week. This combination of strong inflation and labor data removed the possibility of a dovish pivot at the Federal Reserve's upcoming meeting. The S&P500 declined -4.77% and corporate credit spreads widened. The government bond curve bear flattened with short-term yields rising significantly more than long-term yields. Commodities struggled against this backdrop with gold and oil both declining 2%.

Market Performance	09-Sep	16-Sep
S&P 500		
Index Level	4,607	3,873
Pct. Chg. (%)		-4.77%
BofA Merrill Lynch U.S. High-Yield Index		
Yield	8.18%	8.75%
Yield Δ		+57bps.
Bloomberg Barclays U.S. Aggregate Corporate Index		
Spread	140	142
Spread Δ		+2bps.
UST 10Yr. Yield	3.31%	3.45%
3-Month CAD Bankers' Acceptance	3.74%	3.80%

The Fund generated a negative return last week as government bond yields rose and credit spreads widened. The US 10-year yield rose +14bps and the Canada 10-year yield rose +1bps. Overall duration increased +0.14 and credit duration increased +0.04. We expect financial assets will rally when central banks do eventually pause monetary policy tightening. As suspected, markets had prematurely priced such a pivot by the Fed in July. Policy makers remain focused on reducing elevated inflationary pressures, which will lead to lower growth and weaker labour markets. Financial assets face an increased headwind from quantitative tightening, which has now jumped from \$47.5 billion to \$95 billion per month. We'll continue to reduce risk exposure in strength until prices more fully reflect these challenges. We expect to add duration as rates move higher but await clearer signals that interest rates are peaking. We will focus on generating carry while minimizing risk, until a shift is warranted. In the meantime, the Fund will enhance returns by taking advantage of tactical and relative value opportunities.

Sources: Marret Asset Management Inc., Bloomberg Finance L.P., September 16, 2022.

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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.

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