

MARRET INVESTMENT GRADE HEDGED STRATEGIES FUND

Monthly Commentary | August 2022

PERFORMANCE (As at August 31, 2022)

	MTD	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception
Marret Investment Grade Hedged Strategies Fund, Series F, CAD	0.17%	(1.38%)	(0.79%)	5.04%	4.17%	4.93%	4.77%

Date of Inception: October 1, 2010

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

FUND SUMMARY

KEY FACTS	
NAV/unit (Series F)	\$13.1248
Distribution YTD	0.2717
Management fee (Series F)	100 bps
Performance fee	15%
Hurdle rate	5%
Yield to worst	5.09%
Average duration	1.79 years
Liquidity	Monthly
Series F Fund Code	CIG 44500 (C\$) CIG 46000 (US\$)

USE OF LEVERAGE

EXPOSURE	
Gross Exposure	247.0%
Net Exposure	47.6%

ASSET CLASS BREAKDOWN

ASSET CLASS	LONG	SHORT	NET
Cash & Equivalents	51.7%	-	51.7%
Accrued Interest	0.5%	-	0.5%
High Yield	8.0%	-	8.0%
High Grade	107.1%	-	107.1%
Government Bonds	32.2%	-91.6%	-59.4%
Government Futures	-	-	-
Equities	-	-	-

Market Developments

The peak hawkishness narrative couldn't last through August. At his speech in Jackson Hole, Chairman Powell made it clear that the central bank would push rates past neutral and hold a restrictive policy stance for some time in order to reduce inflationary pressures. Despite headline inflation showing signs of peaking, mainly due to lower energy prices, the Fed is focused on the continued broadness and persistence of core inflation components as well as the strength of the labour market. He acknowledged the cost of such policy would likely be 'painful', i.e. a mild recession. Investors responded by repricing both risk assets and interest rates. Government bond yields rose and curves inverted further in both the U.S. and Canada. Risk markets, already negatively affected by weakening growth in China and fears over Europe's access to energy, sold off. Stocks suffered losses, high yield spreads widened, and oil prices fell.

North American investment grade corporate credit spreads were the lone bright spot in financial markets. Based on the Bloomberg Barclays Aggregate Corporate Average OAS Indices, spreads were 3-4 basis points tighter in the U.S. and Canada. Spreads benefitted from the significant rise in Government bond yields and moderate seasonal new issue supply. In Europe and the UK, investment grade corporate credit spreads widened 14-15 basis points as recession risks remained topical.

Ten year Government bond yields in the U.S., Canada, Germany and the UK increased by 55, 51, 72 and 94 basis points respectively in August. The underperformance in Europe, was based on the market pricing in an aggressive response by the ECB to rising inflation.

FUND EXPOSURE

ISSUER COUNTRY	GROSS EXPOSURE
Canada	80.9%
United States	17.1%
Other	2.0%

TOP FIVE HOLDINGS

HOLDING	WEIGHT
USZ2 0 12/20/2022	8.0%
CTB 0 09/29/22	6.3%
CTB 0 09/15/22	4.5%
CTB 0 10/13/22	3.6%
CTB 0 09/01/22	3.2%

MATURITY PROFILE

YEARS TO MATURITY	GOVERNMENT BONDS	CORPORATE BONDS
0 to 3	-1.8%	34.4%
3 to 5	-36.2%	27.5%
5 to 10	-23.0%	33.5%
10+	-2.1%	19.7%

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

Market Outlook

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 another headwind in September as quantitative tightening increases from \$47.5 billion to \$95 billion a month. We'll continue to reduce risk exposure in strength until prices more fully reflect these challenges. 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.

Performance % | Series F, CAD

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD
2022	(0.73%)	(0.86%)	0.27%	(1.11%)	(0.08%)	0.30%	0.67%	0.17%					(1.38%)
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., August 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 37 basis points in the U.S. and 51 basis points in Canada. Utilizing these excess returns and adjusting for the Portfolio's geographic positioning (Canada 84% and U.S. 16%) and leverage (1.2x), the monthly return would have been 59 basis points. Portfolio returns for the period were unchanged relative to those in July.

The Portfolio's conservative positioning and exposure to hybrid financials and energy securities resulted in the bulk of the underperformance relative to the excess returns of the ICE BofA Corporate Indices.

Our benchmark, the FTSE/TMX All Corporate Bond Index, returned -1.95% for the month. Year-to-date, the benchmark return is -9.88%. 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.

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., August 31, 2022 Publication date: September 13, 2022