Adrian Prenc, CFA, FRM
V.P., Portfolio Manager & Chief Risk Officer
aprenc@marret.com

Adam Tuer, CFA PhD
V.P., Portfolio Manager & Head of Research
atuer@marret.com

Gord McKay, CFA
Senior Credit Analyst
gmckay@marret.com

MARRET ENHANCED TACTICAL FIXED INCOME FUND

Weekly Commentary | March 10, 2023 | Series F, CAD

WEIGHTS	
Cash	18%
Commercial Paper	0%
Govt. Bonds	39%
IG Bonds	27%
HY Bonds	14%
Bank Loans	1%
Equities	0%

YIELD INFORMATION	
Yield to Maturity	5.02%
Current Yield	3.85%
Yield to Worst	5.02%
Average Duration	1.95 Years

PERFORMANCE	
Since Inception	2.70%
MTD	0.42%
YTD	1.03%
1 YR	0.47%
3 YR	1.31%
5 YR	1.66%
NAV	10.5268
Distribution YTD*	0.0699

*Current Period Distribution: 0.0350
Date of Inception: November 28, 2014
Source: Marret Asset Management Inc., March 10, 2023

Risk assets were in freefall last week as bank runs dominated the news headlines. Silicon Valley Bank, one of the most prominent lenders for technology start-ups, became the largest US bank to fail since the 2008 financial crisis. Economic data was mixed and had little impact on financial markets. On Friday, US Nonfarm Payrolls increased +311k month over month versus expectations of only +225k but a spike in the labor force participation rate caused the unemployment rate to jump from 3.4% to 3.6%. The S&P500 fell -4.55% and credit spreads widened materially. All government bond yields plunged and the yield curve bull steepened as the decrease in short-term yields outpaced the decrease in long-term yields. Oil prices fell -3.8% and gold prices rallied +0.6%.

Market Performance	3-Mar	10-Mar
S&P 500		
Index Level	4,046	3,862
Pct. Chg. (%)		-4.55%
BofA Merrill Lynch U.S. High-Yield Index		
Yield	8.57%	8.85%
Yield Δ		+28bps.
Bloomberg Barclays U.S. Aggregate Corporate Index		
Spread	119	135
Spread Δ		+16bps.
UST 10Yr. Yield	3.95%	3.70%
3-Month CAD Bankers' Acceptance	4.74%	4.80%

The Fund generated a gain last week as the rally in government bonds more than offset credit spread widening. The US 10-year interest rate declined -25bps and the Canada 10-year interest rate declined -35bps. Duration was unchanged this week at 1.95 years. Corporate bond exposure remains at the lower end of its historical range with holdings concentrated in short duration, higher quality positions. The Fund continues to hold some CDX index hedges that would benefit from spread widening.

Our base case is still for central banks to keep interest rates at a restrictive level as inflation remains above target, leading to a downturn and a challenging risk market environment. The next couple months could be quite volatile as both central banks and the market evaluate the persistence of stronger economic data against the backdrop of deteriorating financial conditions. We expect high duration, interest rate sensitive assets to be attractive over the next 6-9 months post this volatile period.

The Fund is prepared to take advantage of volatility by tactically adding duration on interest rate backups and reducing when rates fall. It remains weary of risk assets based on valuations and the likelihood they will suffer a substantial drawdown in a recession scenario. The Fund will continue to focus on generating carry from short duration, high quality fixed income securities, while maintaining duration exposure and rotating within asset classes based on relative value opportunities as investor sentiment shifts.

Sources: Marret Asset Management Inc., Bloomberg Finance L.P., March 10, 2023.

Adrian Prenc, CFA, FRM
V.P., Portfolio Manager & Chief Risk Officer
aprenc@marret.com

Adam Tuer, CFA PhD
V.P., Portfolio Manager & Head of Research
atuer@marret.com

Gord McKay, CFA
Senior Credit Analyst
gmckay@marret.com

IMPORTANT DISCLAIMERS

Source: Marret Asset Management Inc., March 10, 2023. Publication date: March 16, 2023