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MARRET ASSET MANAGEMENT INC.

MARRET INVESTMENT GRADE HEDGED STRATEGIES FUND

Monthly Commentary | February 2023

PERFORMANCE (As at February 28, 2023)

	MTD	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception
Marret Investment Grade Hedged Strategies Fund, Series F, CAD	0.30%	0.90%	1.06%	4.13%	3.86%	4.59%	4.65%

Date of Inception: October 1, 2010

Source: Marret Asset Management Inc., February 28, 2023

FUND SUMMARY

KEY FACTS	
NAV/unit (Series F)	$12.579
Distribution YTD	0.104754
Management fee (Series F)	100 bps
Performance fee	15%
Hurdle rate	5%
Yield to worst	5.69%
Average duration	0.87 years
Liquidity	Monthly
Series F Fund Code	CIG 44500 (C$) CIG 46000 (US$)

USE OF LEVERAGE

EXPOSURE	
Gross Exposure	230.2%
Net Exposure	28.7%

ASSET CLASS BREAKDOWN

ASSET CLASS	LONG	SHORT	NET
Cash & Equivalents	56.7%	-1.3%	55.4%
Accrued Interest	0.6%	0.0%	0.6%
High Yield	6.0%	0.0%	6.0%
High Grade	113.0%	0.0%	113.0%
Government Bonds	10.5%	-85.0%	-74.5%
Government Futures	0.0%	0.0%	0.0%
Equities	0.0%	0.0%	0.0%

Market Developments

Coming into February, markets expected the Fed to pause interest rate hikes in the spring and pivot mid-year. Strong economic indicators, a tight labour market, and sticky inflation data forced investors to reassess that outlook.

The month began with a Fed meeting focused on the disinflationary process. The Fed saw disinflation in goods and expected that to follow through into core areas (housing, services, etc.). However, they disagreed with market expectations, and believed the process would take longer than was projected. Inflation and labour market data in February supported the Fed's view. CPI slowed its pace of decline and PCE Core came in above expectations. On the labour front, both Nonfarm Payrolls and JOLTS exceeded expectations as well. Front-end rates shot higher as investors expected further tightening and a higher terminal rate will be needed to reduce inflation to target levels.

Government bonds suffered losses with the curve inverting even further. Corporate bonds realized losses due to higher interest rates. Equities were down a little more than 2.5% in North America as better expected growth was more than offset by the headwind of higher risk-free rates. Oil fell 2% and gold was more than 5% lower.

Ten-year government bond yields in the U.S., Canada, UK and Germany rose by 41, 41, 49 and 37 basis points, respectively, in February. Investment grade corporate credit spreads were mixed. U.S. spreads were 7 basis points wider as equity market weakness and significant new issuance weighed on the market. In Canada and Europe, credit spreads tightened by 5 and 4 basis points respectively. UK spreads were marginally wider on the month.

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FUND EXPOSURE

ISSUER COUNTRY	GROSS EXPOSURE
Canada	73.6%
United States	17.8%
Other	8.7%

TOP FIVE HOLDINGS

HOLDING	WEIGHT
CHPUCN 4.903 07/05/23	4.0%
T 4 1/8 11/15/32	3.7%
PENSKE 5.44 12/08/25	3.6%
DOLCN 3.55 11/06/23	3.1%
BNS 5 1/2 05/08/26	2.7%

MATURITY PROFILE

YEARS TO MATURITY	GOVERNMENT BONDS	CORPORATE BONDS
0 to 3	-14.6%	47.9%
3 to 5	-28.9%	26.4%
5 to 10	-20.6%	26.0%
10+	-10.4%	18.6%

Source: Marret Asset Management Inc., February 28, 2023

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 -25.6 basis points in the U.S. and +58 basis points in Canada. Utilizing these excess returns and adjusting for the Portfolio's geographic positioning (Canada 87% and U.S. 13%) and leverage (1.2x), the monthly return would have been +56 basis points. Portfolio returns for the period were +31 basis points.

The Portfolio's underperformance for the month was due to: 1) our unhedged short-dated credit (1-2 year) carry positions which lost value on the back up in interest rates and further inversion of Government yields curves 2) a widening in BCE spreads on new issuance (-14bp) and 3) credit index hedges (4 bps).

Our benchmark, the FTSE/TMX All Corporate Bond Index, returned -1.50% for the month. Year-to-date, the benchmark return is +1.44%. Portfolio returns YTD are +0.91%. 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

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. This macro-economic outlook, combined with current valuations in credit, do not make the risk/reward in long, hedged credit compelling. That is why the Fund has maintained a conservative positioning and will continue to do so. In the short-term, we expect to generate returns from the attractive carry of short-dated corporate bonds (given the inverted yield curve), trading and long/short relative value opportunities. This provides the Fund with good optionality to be aggressive in credit when valuations correct. We expect to maintain and increase our credit index hedges, given the likelihood of a recession and to manage against tail risks.

Performance % | Series F, CAD

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD
2023	0.60 %	0.30%											0.90%
2022	(0.73%)	(0.86%)	0.27%	(1.11%)	(0.08%)	0.30%	0.67%	0.17%	(1.09%)	(0.73%)	0.80%	0.97%	(1.43%)
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%

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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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Source: Marret Asset Management Inc., February 28, 2023 Publication date: March 14, 2023