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MARRET ASSET MANAGEMENT INC.

MARRET ENHANCED TACTICAL FIXED INCOME FUND

Weekly Commentary | May 19, 2023 | Series F, CAD

WEIGHTS	
Cash	19%
Commercial Paper	0%
Govt. Bonds	37%
IG Bonds	29%
HY Bonds	13%
Bank Loans	1%
Equities	0%

YIELD INFORMATION	
Yield to Maturity	5.07%
Current Yield	3.89%
Yield to Worst	5.07%
Average Duration	1.8 Years

PERFORMANCE	
Since Inception	2.74%
MTD	-0.21%
YTD	1.88%
1 YR	2.53%
3 YR	1.23%
5 YR	1.78%
NAV	10.5457
Distribution YTD*	0.1399

*Current Period Distribution: 0.0350
Date of Inception: November 28, 2014
Source: Marret Asset Management Inc., May 19, 2023

Financial markets were mixed last week. The bond market struggled to digest significant issuance supply and stronger than expected economic data, while the equity market rallied on dovish policymaker comments. On Tuesday, US core retail sales were +0.7% month over month versus expectations of only +0.4%. Additionally on Tuesday, US industrial production was +0.5% month over month versus expectations for no change. On Thursday, US initial jobless claims fell to +242k versus expectations of +251k and US continuing jobless claims were only +1799k versus expectations of +1820k. On Friday, US Federal Reserve Chair Jay Powell suggested he was open to holding interest rates steady at the central bank's meeting next month. Federal Reserve Governor Neel Kashkari also said a rate-hike pause in June may make sense. The S&P500 rose +1.65% and credit spreads were marginally tighter. US government bond yields rose significantly, and the yield curve bear flattened for the sixth time in seven weeks. Oil prices bounced +2.2% while gold prices declined -1.6%.

Market Performance	12-May	19-May
S&P 500		
Index Level	4,124	4,192
Pct. Chg. (%)		1.65%
BofA Merrill Lynch U.S. High-Yield Index		
Yield	8.60%	8.72%
Yield Δ		+12bps.
Bloomberg Barclays U.S. Aggregate Corporate Index		
Spread	144	142
Spread Δ		-2bps.
UST 10Yr. Yield	3.46%	3.67%
3-Month CAD Bankers' Acceptance	4.76%	4.86%

The Fund had a small loss as yields rose significantly last week. The US 10-year interest rate rose +21bps and the Canada 10-year interest rate rose +25bps. Duration was increased again last week from 1.71 to 1.80 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 tactically trade 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. As central banks begin to pause, the Fund will be paying close attention to credit contraction and any downward pressure on lending in the real economy driven by the significant tightening to date.

Volatile markets should persist as banking system stresses linger and the labour market shows continued strength. Worryingly, if tight monetary policy and banking stresses do cause a contraction in growth, the Fed may be unable to implement the required solutions unless core inflation decreases rapidly.

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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 plans to continue to trade CDX from the protection side. 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., May 19, 2023.

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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.

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