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MARRET INVESTMENT GRADE HEDGED STRATEGIES FUND

Monthly Commentary | April 2023

PERFORMANCE (As at April 30, 2023)

	MTD	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception
Marret Investment Grade Hedged Strategies Fund, Series F, CAD	0.78%	1.33%	2.35%	4.41%	3.97%	4.51%	4.62%

Date of Inception: October 1, 2010

Source: Marret Asset Management Inc., April 30, 2023

FUND SUMMARY

KEY FACTS	
NAV/unit (Series F)	$12.5277
Distribution YTD	0.209508
Management fee (Series F)	100 bps
Performance fee	15%
Hurdle rate	5%
Yield to worst	5.56%
Average duration	0.97 years
Liquidity	Monthly
Series F Fund Code	CIG 44500 (C$) CIG 46000 (US$)

USE OF LEVERAGE

EXPOSURE	
Gross Exposure	236.9%
Net Exposure	29.5%

ASSET CLASS BREAKDOWN

ASSET CLASS	LONG	SHORT	NET
Cash & Equivalents	56.3%	-1.6%	54.7%
Accrued Interest	0.6%	0.0%	0.6%
High Yield	5.7%	0.0%	5.7%
High Grade	109.3%	-2.7%	106.6%
Government Bonds	18.2%	-85.5%	-67.3%
Government Futures	0.0%	0.0%	0.0%
Equities	0.0%	0.0%	0.0%

Market Developments

In April, markets continued to recover from stress caused by regional bank failures experienced in March. Equities, credit, and government bonds all generated gains as investors absorbed mixed economic data and better than expected earnings.

Most central banks have already paused or are nearing the end of their hiking cycle. They achieved the first stage of disinflation with reduced commodity prices and improved supply chain bottlenecks. Now, they must assess whether additional tightening is required to achieve further disinflation to target. Avoiding a structural change in inflation expectations will require a timely reduction of services and wage inflation. Central banks have acknowledged this second stage of disinflation will be more difficult.

Lower volatility provided a tailwind across asset classes. Interest rates fell, most significantly in the belly of the curve, resulting in gains for government bonds. Corporate bonds further benefitted from tightening credit spreads and produced positive returns. Equity, oil and gold prices all moved modestly higher during the month.

Ten-year government bond yields in the U.S. and Canada declined by 4 and 6 basis points respectively. In Germany, ten year Government bond yields rose 2 basis points, while in the UK they were 23 basis point higher. The latter was impacted by stronger than expected employment and inflation figures. Investment grade corporate credit spreads were 2, 9, 8 and 19 basis points tighter in the U.S., Canada, Europe and the UK respectively.

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FUND EXPOSURE

ISSUER COUNTRY	GROSS EXPOSURE
Canada	72.3%
United States	19.1%
Other	8.6%

TOP FIVE HOLDINGS

HOLDING	WEIGHT
T 3 1/2 02/15/33	5.1%
CHPUCN 4.903 7/05/23	3.9%
T 4 1/8 11/15/32	3.6%
PENSKE 5.44 12/08/25	3.5%
DOLCN 3.55 11/06/23	3.0%

MATURITY PROFILE

YEARS TO MATURITY	GOVERNMENT BONDS	CORPORATE BONDS
0 to 3	-18.8%	50.1%
3 to 5	-23.2%	24.4%
5 to 10	-16.0%	25.0%
10+	-9.3%	12.8%

Source: Marret Asset Management Inc., April 30, 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 +27 basis points in the U.S. and +91 basis points in Canada. Utilizing these excess returns and adjusting for the Portfolio's geographic positioning (Canada 85% and U.S. 15%) and leverage (1.2x), the monthly return would have been +98 basis points. Portfolio returns for the period were +78 basis points.

The Portfolio's underperformance for the month was due to: 1) short positions in the CDX IG and Xover credit indices and 2) some higher beta, less liquid credits lagging the modest tightening spread environment during the month.

Our benchmark, the FTSE/TMX All Corporate Bond Index, returned 1.36% for the month. Year-to-date, the benchmark return is +4.19%. Portfolio returns YTD are +1.34%. 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. 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.

The Fund 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 and maintain minimal exposure to long credit hedged positions. In April, the Fund began establishing structural short positions in selective higher beta single names.

Performance % | Series F, CAD

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD
2023	0.60 %	0.30%	(0.35%)	0.78%									1.33%
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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