

MARRET ENHANCED TACTICAL FIXED INCOME FUND

Monthly Commentary | August 2023 | Series F, CAD

WEIGHTS	
Cash	9%
Commercial Paper	0%
Govt. Bonds	50%
IG Bonds	28%
HY Bonds	13%
Bank Loans	1%
Equities	0%

YIELD INFORMATION	
Yield to Maturity	5.45%
Current Yield	3.81%
Yield to Worst	5.45%
Average Duration	1.92 Years

PERFORMANCE	
Since Inception	2.69%
MTD	-0.06%
YTD	2.25%
1 YR	2.75%
3 YR	0.68%
5 YR	1.70%
NAV	10.4434
Distribution YTD*	0.2797

*Current Period Distribution: 0.0350

Date of Inception: November 28, 2014

Source: Marret Asset Management Inc.,
September 8, 2023

In August, markets were focused on the “soft landing” narrative and experienced a rare bear steepening. The combination led to negative returns across most asset classes. Only short duration fixed income, riskier credit, and oil prices rose during the month.

Investors seem to believe continued consumer strength is an indication the Fed is likely to achieve its inflation target without causing a recession. Focus on this “soft landing” scenario limited losses in risk markets despite softening labour markets and weak economic data from Europe and China. This “soft landing” scenario also caused investors to extend out when the first cut is expected.

Additionally, large pro-cyclical fiscal deficits, the announcement of increased coupon bond issuance by the U.S. Treasury, and expectations for elevated corporate debt issuance in September created a technical headwind for fixed income. Markets demanded a higher risk premium for the increased supply outlook. The result was a bear steepening where rates at the long-end of the curve rose more than the front-end.

We believe the combination of larger fiscal deficits and the Fed’s quantitative tightening program are squeezing liquidity. The dual narratives of higher interest rates for longer and increased fixed income supply led to the bond market bearing the brunt of the liquidity squeeze. However, negative returns in equities, widening credit spreads and a strong U.S. Dollar are evidence that the liquidity squeeze is affecting all asset classes.

Market Performance	1-Sept	8-Sept
S&P 500		
Index Level	4,516	4,457
Pct. Chg. (%)		-1.29%
BofA Merrill Lynch U.S. High-Yield Index		
Yield	8.48%	8.60%
Yield Δ		+12bps.
Bloomberg Barclays U.S. Aggregate Corporate Index		
Spread	119	118
Spread Δ		-1bps.
UST 10Yr. Yield	4.18%	4.26%
3-Month CAD Bankers’ Acceptance	5.24%	5.23%

The Fund generated positive returns in line with its benchmark during the month. Government duration was tactically changed during the month based on interest rate volatility. It increased as high as 1.45 years before falling back to 1.35 years as rates fell at month end. Corporate bond exposure was marginally increased and remains concentrated in shorter duration, higher quality positions. The Fund maintained its CDX hedges.

We continue to expect central banks to keep interest rates at a restrictive level as inflation remains above target. A glut of fixed income supply and economic data that may appear strong due to biased seasonal adjustments in September could act as a headwind for fixed income. However, with central banks largely on hold, bonds should stabilize and perform better into year end. Economic and labour data is also likely to continue to weaken into year end, which could refocus investors on the cyclical risks.

The Fund intends to participate in new corporate issuance to take advantage of concessions, especially given its limited exposure to corporate credit. Should interest rates rise or steepen further, the Fund will add high quality duration. It expects to maintain its exposure to front end corporate bonds. The Fund will continue to focus on generating carry from high quality fixed income securities, while maintaining duration exposure and taking advantage of technical dislocations.

Sources: Marret Asset Management Inc., Bloomberg Finance L.P., September 8, 2023.

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. Management fees and expenses all may be associated with investment funds. 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.

This commentary has been prepared for Marret Asset Management Inc. is confidential and may not be redistributed.

Certain statements contained in this communication are based in whole or in part on information provided by third parties and Marret Asset Management Inc. has taken reasonable steps to ensure their accuracy.

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.

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., **September 8, 2023**. Publication date: **September 14, 2023**