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MARRET ASSET MANAGEMENT INC.

MARRET ENHANCED TACTICAL FIXED INCOME FUND

Monthly Update | February 2024 | Series F, CAD

WEIGHTS	
Cash	5%
Commercial Paper	0%
Govt. Bonds	38%
IG Bonds	31%
HY Bonds	27%
Bank Loans	0%
Equities	0%

YIELD INFORMATION	
Yield to Maturity	5.0%
Current Yield	4.0%
Yield to Worst	4.92%
Average Duration	1.45 Years

PERFORMANCE	
Since Inception	2.88%
MTD	0.32%
YTD	0.68%
1 YR	4.33%
3 YR	1.50%
5 YR	2.06%
NAV	10.5863
Distribution YTD*	0.0706

*Current Period Distribution: 0.0353
Date of Inception: November 28, 2014
Source: Marret Asset Management Inc., March 8, 2024

Our central market theme in February remains unchanged; central banks continue to push back against market expectations for rate cuts. Fed Governor Christopher Waller probably best summarized the sentiment by plainly asking, “What’s the rush?” Markets are now pricing in ~3 rate cuts starting mid-year, versus the 6 or 7 cuts that had been priced in at the beginning of the year. Interest rate curves flattened during the month, with a notable contraction in the 10s/30s differential.

Markets transitioned to a risk-on tone as the general pushback against cuts had investors reassessing growth drivers at the margin. Strong data in the month also supported the growth narrative with January non-farm payrolls printing at 353k (vs. 185k exp.), alongside upward revisions of the prior month to 333k (up from 216k), and wages accelerating 0.6% m/m (6.8% m/m SAAR). Notably, bonds and risk assets diverged as stronger growth supported risk assets’ performance while acting as a headwind for government bonds.

Canadian data was more mixed. January’s part-time jobs data printed stronger than expected, full-time jobs were weaker than expected, and average hourly wage growth moderated to 5.3% (down from 5.7% in December). Core inflation, median and trim, also moderated sharply to 3.3% and 3.4%, versus the prior month’s (3.5% and 3.7% resp.). Although wage growth and inflation remained elevated, the substantial deceleration worked to drive some notable performance differentials between Canada and the U.S.

High yield credit spreads tightened firmly in February while investment grade spreads retained a good tone but tightened only marginally on the back of heavy supply.

Market Performance	1-Mar	8-Mar
S&P 500		
Index Level	5,137	5,124
Pct. Chg. (%)		-0.26%
BofA Merrill Lynch U.S. High-Yield Index		
Yield	7.86%	7.71%
Yield Δ		-15bps.
Bloomberg Barclays U.S. Aggregate Corporate Index		
Spread	97	94
Spread Δ		-3bps.
UST 10Yr. Yield	4.18%	4.07%
3-Month CAD Bankers’ Acceptance	5.06%	5.03%

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The Fund modestly underperformed its benchmark in February but leads slightly year-to-date. Both high grade and higher yielding credit exposures generated firm gains while the portfolio's yield, running at ~5.02%, also worked to offset some price weakness experienced on the government side of the ledger. Although our government exposures faced some headwinds in the month, the Fund's shorter duration and lower rate sensitivity worked to preserve capital. Credit exposures were taken up marginally in the month (~50% vs. 47%) but credit duration remained defensive at about 0.47 years. The Fund's government rate duration ended the month at 1.02 years (1.5 years overall). It remains well positioned with a running yield that tops its benchmark while retaining more defensive credit and rate sensitivity metrics.

The outlook remains in line with our views at the beginning of the year. As the monetary policy cycle potentially transitions from tight pause to initial cuts, we expect data to be noisy and even bewildering at times. The uncertain path forward likely keeps market sensitivity elevated and reactions to data disproportionate. So long as the pause phase persists, assets are likely to remain range bound. As it relates specifically to fixed income, a pause offers the opportunity to build a steady running yield and the chance to extract value by trading established ranges. Looking ahead, March central bank meetings seem the next and most obvious meaningful catalysts.

Sources: Marret Asset Management Inc., Bloomberg Finance L.P., March 8, 2024.

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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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