MARRET ASSET MANAGEMENT INC.

Marret High Yield Strategies Fund

2011 Annual Management Report of Fund Performance

March 27, 2012

This management report of fund performance for Marret High Yield Strategies Fund (the "Fund") contains financial highlights but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the financial statements of the Fund for the year ended December 31, 2011.

You may obtain a copy of the financial statements at your request, and at no cost, by collect calling 416-214-5800, by sending a request to Investor Relations, Marret Asset Management Inc., 200 King Street West, Suite 1902, Toronto, Ontario, M5H 3T4, or by visiting our website at www.marret.com or SEDAR at www.sedar.com. Unitholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, quarterly portfolio disclosure or independent review committee's report.

The Fund

The Fund is a closed-end investment fund managed by Marret Asset Management Inc. (the "Manager"). The units of the Fund trade on the Toronto Stock Exchange ("TSX") under the symbol MHY.UN. Through a forward agreement (the "Forward Agreement") between the Fund and Bank of Nova Scotia (the "Counterparty"), the Fund is exposed to a portfolio of securities (the "Portfolio") held by Marret HYS Trust. The Portfolio is comprised of debt securities and term loans that are generally rated at or below BB+ from Standard & Poor's, or Ba1 or less from Moody's Investor Services, Inc., or a similar rating from a qualified rating agency (collectively, "High Yield Bonds"). The Counterparty has agreed to pay the Fund on May 30, 2014, the economic return provided by the Portfolio. The Manager intends to make a proposal in the fall of 2012 to extend the term of the Fund for five years from the date in 2012 specified in such proposal. In the event the term extension is approved, the Fund will terminate in 2017. The Portfolio is managed by the Manager.

Investment Objective and Strategies

The Fund was created to achieve the following investment objectives: (i) to maximize total returns for holders of units of the Fund, consisting of both tax-advantaged distributions and capital appreciation, while attempting to reduce risk, and (ii) to provide holders of units of the Fund with attractive monthly tax-advantaged cash distributions, targeted to be 8.00% per year on the original issue price of $10.00 per unit of the Fund, by obtaining exposure to the Portfolio, which is focused primarily on high yield debt. The specific strategy employed by the Manager from time to time in managing the Portfolio will depend on the phase of the credit cycle.

The return to investors of the Fund is dependent on the return of Marret HYS Trust's portfolio pursuant to the Forward Agreement. As a result, this management report of fund performance includes discussion of the performance of Marret HYS Trust, where applicable.

Risks

Risks associated with an investment in the units of the Fund are discussed in the Fund's prospectus dated May 28, 2009 (the "Prospectus"), which is available on the Fund's website at www.marret.com or on SEDAR at www.sedar.com. There has been no change in the Fund's stated investment strategy, and no changes to the Fund in 2011 that have materially affected the risks associated with an investment in the units of the Fund.

Leverage

Through the Forward Agreement, the Fund is exposed to leverage in Marret HYS Trust. Leverage did not cause a material change in the risk associated with an investment in units of the Fund. An increase in leverage may cause an investment in units to become more risky should any event adversely affect the value of an investment held by the Portfolio as the impact would be magnified to the extent leverage is employed. The leverage of the Fund during the period was below the threshold as stated in the prospectus and did not result in a change in suitability of the investment from what was previously disclosed in the prospectus.

As indicated in the Fund's prospectus, the net exposure of Marret HYS Trust will not exceed 135%, on a daily marked-to-market basis, with net exposure calculated as the value of long security positions, excluding cash and cash equivalents, minus the absolute value of short positions, divided by the net asset value of Marret HYS Trust. December 31, 2011, the Portfolio's net exposure was 34% of the net asset value of Marret HYS Trust.

Figures presented in this management report of fund performance are generally based on the Fund's calculation of its weekly net asset value ("Net Asset Value"), in accordance with the Fund's prospectus which may be calculated on a basis different from the application of Canadian Institute of Chartered Accountants ("CICA") Section 3855. In accordance with National Instrument ("NI") 81-106, certain figures are derived from the financial statements' calculation of net assets ("Net Assets") and are noted as such.

Results of Operations from January 1, 2011 to December 31, 2011

Market Developments

Looking back at 2011, the year began with strength in risk assets due to optimism that stimulus measures undertaken by governments, in conjunction with improving corporate profitability, would lead to stronger economic growth and perhaps an improving labour market. The first half of the year remained strong despite some volatility that was primarily due to geopolitical events, which included rising tensions in the Middle East as well as a tragic earthquake in Japan. Equity markets reached their highs in May, as the S&P 500 Total Return Index ("S&P 500) peaked at approximately 1370, while high yield remained very strong reaching a low in yield of approximately 6.65%. However, when economic improvement failed to materialize, investors once again began to question the sustainability and strength of the underlying economic recovery. The growing fiscal problems in the periphery of the Euro Zone, which the market had disregarded earlier in the year, quickly received attention again as Greece funding problems resurfaced and other peripheral countries saw continued pressure on their borrowing rates. The renewed focus on Europe's fiscal problems led to increased volatility that persisted for most of the remainder of 2H11 as a constant stream of plans to deal with these fiscal imbalances were put forth by policymakers, but were never fully accepted by the marketplace as a credible solution. Additional uncertainty was seen in the U.S. as policymakers were unable to resolve their debt ceiling issues in a timely fashion putting further strain on the fragile economic recovery. Nevertheless, the end of the year brought some optimism back to the marketplace as economic data began to improve. Furthermore, the last EU summit also provided some hope that perhaps policymakers are moving in the right direction by finally focusing on moving towards fiscal integration, expanding support to the European banks, and moving more proactively towards adopting measures of austerity.

High yield had strong relative performance versus other risk assets in 2011. However, it still saw much of the same intra year volatility. High yield spreads began the year at approximately 550bps, reaching a low of approximately 450bps before widening significantly to 910bps in early October. An end-of-year rally pushed spreads somewhat lower, although, at approximately 725 bps, they remained elevated versus historical averages. High yield fundamentals were sound despite the tepid economic conditions. Default rates were low throughout 2011, and the excess spread (defined as spread less expected loss due to defaults) remained at very high levels throughout the year, indicating attractive risk-adjusted returns. Strong refinancing trends have also allowed companies to raise excess cash and push out debt maturities, reducing the probability of any near term unexpected defaults. The robust refinancing environment was facilitated by strong demand for the high yield asset class from institutional as well as retail investors in search of yield, as the intense focus by central banks to flood the system with liquidity kept rates of government securities at extremely low levels. Despite these trends, the high yield market did become more selective by year end, favouring higher rated issuers.

Performance

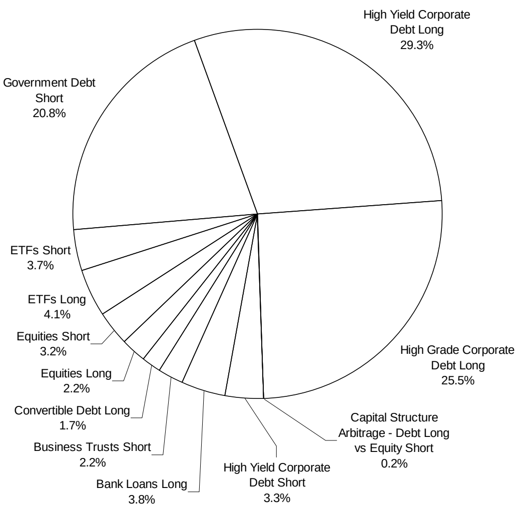
The Fund trailed two out of three its benchmarks, returning 1.4% versus returns of 4.5% for BofA Merrill Lynch U.S. High Yield Master II Index ("High Yield Index"), and a 2.2% return by S&P 500 while the S&P/TSX Composite Total Return ("TSX") declined 8.7%. The Fund's returns are after the deduction of fees and expenses (management expense ratio), while the benchmark returns do not include any costs of investing. See the "Past Performance" section for more performance information.

The portfolio benefitted from its focus on higher quality, highly liquid debt instruments, as this segment outperformed the lower rated issuers. Furthermore, concentrated positions in high coupon, shorter dated bonds also provided attractive risk-adjusted returns. Positive contributions also came through strong fundamental analysis in companies such as Consolidated Thompson and Quadra Mining, both of which received takeover offers during the year, validating our view of further consolidation in the sector. The Fund remained defensive throughout much of the latter portion of the year due to concerns over the European sovereign debt crisis. As a result, higher cash balances were maintained. Furthermore, modest exposure to gold and precious metal companies negatively impacted the Fund, but continued to be held due to the expectation that the sovereign debt crisis may spread to the U.S.

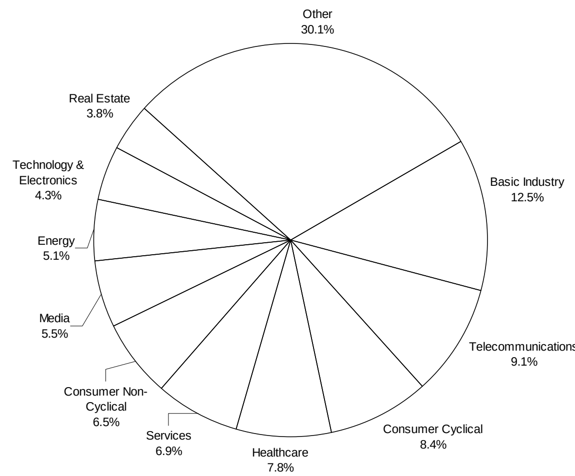
Investment Portfolio

Over the recent reporting period, the Fund became more defensively positioned by: (1) increasing cash holdings; (2) transitioning to higher quality credits, including investment grade issuers; (3) reducing duration; and (4) hedging against the risk of rising interest rates. As of December 31, 2011, Marret HYS Trust held a total of 119 securities. The breakdown of the Portfolio is shown in the accompanying pie charts, and a detailed listing of the Portfolio's security holdings is provided in the financial statements of Marret HYS Trust. As of December, 2011, the Portfolio had an average duration of 0.24 years and a yield to maturity of 2.58%.

Portfolio Composition



Top 10 Industry Sectors



Calculated as a proportion of gross invested capital of Marret HYS Trust, excluding cash.

Distributions

During the year ended December 31, 2011, the Fund made monthly cash distributions which totaled $0.804 per unit.

Liquidity and Capital Resources

Through the Forward Agreement, the Fund's performance is affected by leverage in Marret HYS Trust. Marret HYS Trust has a credit facility which provides the ability to borrow i) Canadian Dollars at a rate equal to the Bank of Canada Overnight Lending Rate plus a fixed percentage, and ii) U.S. Dollars at a rate equal to Federal Funds Overnight Rate plus a fixed percentage. The facility has been used by Marret HYS Trust to invest in additional portfolio investments. As at December 31, 2011, Marret HYS Trust had no borrowings under this facility. During the year ended December 31, 2011, the minimum and maximum amounts of net borrowings of Marret HYS Trust were nil and $1.31 million, respectively.

Recent Developments

Reopening of the Fund

On September 7, 2011, the Fund issued an additional 18,500,000 units for total gross cash proceeds of $204,425,000. On September 16, 2011, the Fund issued an additional 2,775,000 units for total gross cash proceeds of $30,663,750. Costs of $9,770,324 were incurred in connection with these offerings and have been charged to equity.

On February 21, 2012, the Fund issued an additional 19,800,000 units for total cash proceeds of $210,870,000. On February 28, 2012, the Fund issued an additional 1,285,000 units for total gross cash proceeds of $13,685,250. Costs of $9,332,310 were incurred in connection with these offerings and have been charged to equity.

Change in Independent Review Committee
During the year ended December 31, 2011, Mr. Richard Stone resigned as a member of the Independent Review Committee ("IRC") of the Fund effective October 31, 2011. Mr. Ronald Riley was appointed as his replacement and a full bio for Mr. Riley can be found in the Annual Information Form of the Fund.

Related Party Transactions

Related party transactions consist of services provided by the Manager to the Fund. Pursuant to the management agreement, the Manager receives a management fee from the Fund equal to 0.25% per annum of the Net Asset Value of the Fund (or 1.00% in total when combined with the management fee received from Marret HYS Trust), calculated and payable monthly in arrears, plus applicable taxes. The management fee is in consideration for providing management, portfolio management, and administrative services and facilities to the Fund. In addition to the management fee, the Manager receives a service amount calculated and paid as soon as practicable after the end of each calendar quarter, equal to 0.40% per annum of the Net Asset Value attributable to the units of the Fund. The service amount is paid to brokers based on the number of units of the Fund held by clients of such brokers at the end of the relevant quarter. For the year ended December 31, 2011, the management fee, inclusive of applicable taxes, earned was $1,315,248 ($5,389,704 when combined with the management fee earned from Marret HYS Trust). The service amount paid/payable from the Fund, inclusive of applicable taxes, for the year ended December 31, 2011 was $2,104,397.

The Manager also receives a performance fee from Marret HYS Trust (the "Performance Fee"). The Performance Fee is determined as of December 31 of each year and for each year is an amount for each unit of Marret HYS Trust then outstanding equal to 15% of the amount by which the sum of (i) the Net Asset Value of such unit (without taking into account the Performance Fee), and (ii) the distributions paid on such unit during the previous 12 months, exceeds 106.35% of the "Threshold Amount". For years ending after December 31, 2009, the Threshold Amount is the greater of (i) the Net Asset Value per unit of Marret HYS Trust immediately following June 17, 2009, which was $10.00, (ii) the Net Asset Value per unit of Marret HYS Trust on December 31 for the previous fiscal year (after payment of the Performance Fee), and (iii) the Net Asset Value per unit of Marret HYS Trust on December 31 in the last fiscal year in which a Performance Fee was paid (after payment of the Performance Fee). There was no Performance Fee payable to the Manager for the year ended December 31, 2011.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance for past periods. This information is derived from the Fund's audited annual financial statements. The information in the following tables is presented in accordance with NI 81-106 and, as a result, does not act as a continuity of opening and closing Net Assets per unit. The increase (decrease) in Net Assets from operations is based on average units outstanding during the period, and all other numbers are based on actual units outstanding at the relevant point in time.

The Fund's Net Assets per Unit [1]

	Year ended Dec 31, 2011	Year ended Dec 31, 2010	Year ended Dec 31, 2009 [2]
Net Assets, beginning of period	$ 10.79	$ 10.20	$ 10.00
Issue expense [3]	$ -	$ -	$ (0.56)
Net Assets, beginning of period (net of issue expense)	$ 10.79	$ 10.20	$ 9.44
Increase / (decrease) from operations:			
Total revenue	$ -	$ -	$ -
Total expenses	$ (0.11)	$ (0.11)	$ (0.06)
Realized gains / (losses) for the period	$ 0.14	$ 0.12	$ 0.03
Unrealized gains / (losses) for the period	$ 0.02	$ 1.38	$ 1.23
Total increase / (decrease) from operations [4]	$ 0.05	$ 1.39	$ 1.20
Distributions:			
From income	$ -	$ -	$ -
From dividends	$ -	$ -	$ -
From capital gains	$ -	$ -	$ -
Return of capital	$ 0.80	$ 0.80	$ 0.43
Total Distributions [5]	$ 0.80	$ 0.80	$ 0.43
Net Assets, end of period	$ 10.14	$ 10.79	$ 10.20

(1) This information is derived from the Fund's audited annual financial statements. The Net Assets per unit presented in the financial statements differs from the Net Asset Value calculated for weekly Net Asset Value purposes. The Net Assets per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities on that date and includes the valuation of securities at bid prices for securities held long and at ask prices for securities held short divided by the number of units then outstanding.
(2) Information presented is for the period from June 17, 2009 to December 31, 2009.
(3) Issue expenses of $9,770,324 were paid by participants of an offering of 21,275,000 units ($0.46 per unit) in September 2011. Issue expenses of $7,409,106 were paid by participants of an offering of 15,666,109 units ($0.47 per unit) in October 2010. These amounts has been excluded from the table above as they did not impact existing unitholders.
(4) Net assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time. The increase (decrease) in Net Assets from operations per unit is based on the weighted average number of units outstanding over the period.
(5) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution and were paid in cash.

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended Dec 31, 2011	Year ended Dec 31, 2010	Year ended Dec 31, 2009 [1]
Total Net Asset Value	$ 605,283,673	$ 414,311,288	$ 231,901,872
Number of Units Outstanding	59,671,109	38,396,109	22,730,000
Management Expense Ratio ("MER") [2]	4.81%	6.46%	9.06%
Trading Expense Ratio [3]	0.03%	0.04%	0.05%
Portfolio Turnover Rate [4]	8.31%	8.12%	3.74%
Net Asset Value per Unit	$ 10.14	$ 10.79	$ 10.20
Closing Market Price	$ 11.06	$ 11.31	$ 10.68

(1) Information presented is for the period from June 17, 2009 to December 31, 2009.
(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) of the Fund and Marret HYS Trust for the stated period, including interest expense and issuance costs, and is expressed as an annualized percentage of daily average Net Asset Value of the period. See further discussion below.
(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value of the Fund during the period.
(4) The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of investments during the period. The portfolio turnover ratio for Marret HYS Trust for the year ended December 31, 2011 was 311.87% (2010 – 240.37%; 2009 – 40.01%).

Management Expense Ratio

The MER for 2011 after adjusting for one-time issue expenses which were paid by the participants of the new issue was 2.77% (2010 – 3.82%; 2009 – 3.46%). The calculation of the MER requires that all items included in the expenses, as presented in the statement of operations, be included in this calculation. As the Fund invests both long and short, the expenses in the statement of operations include interest expense (on cash borrowings), security borrowing fees, interest expense on short positions, and dividend expense on short positions. These expenses (collectively "execution expenses") relate to execution of the investment strategy, not the administrative efficiency of the Fund, and increase the MER relative to funds that invest long only. The MER for the Fund excluding execution expenses was 1.88% (2010 – 3.53%; 2009 – 3.11%). The MER also includes performance fees in years that a performance fee was earned by the Manager. The MER for 2011 excluding the execution expenses and performance fees was 1.88% as there were no performance fees earned (2010 - 1.87%; 2009 – 1.87%).

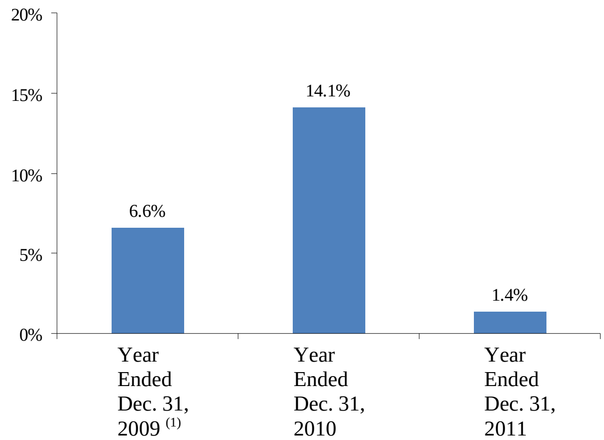
Past Performance

The following charts and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on Net Asset Value per unit and assumes that cash distributions made by the Fund in the periods shown were reinvested (at Net Asset Value per unit) in additional units of the Fund.

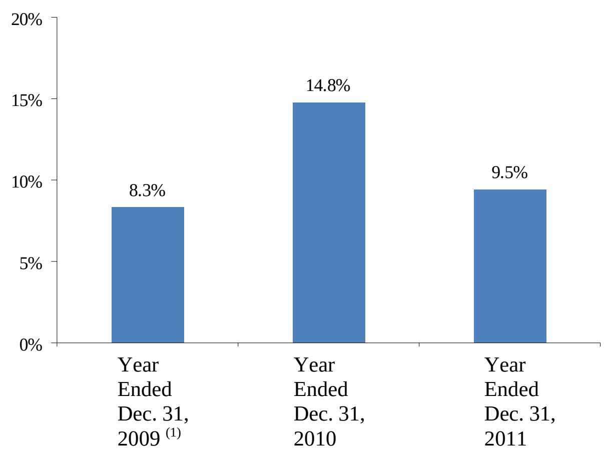
Year-by-Year Returns

The bar charts show the Fund's total return for the overall Portfolio, long Portfolio positions and short Portfolio positions for the periods from inception to December 31, 2011. The charts show, in percentage terms, how an investment held on the first day of each period would have changed by the last day of the period.

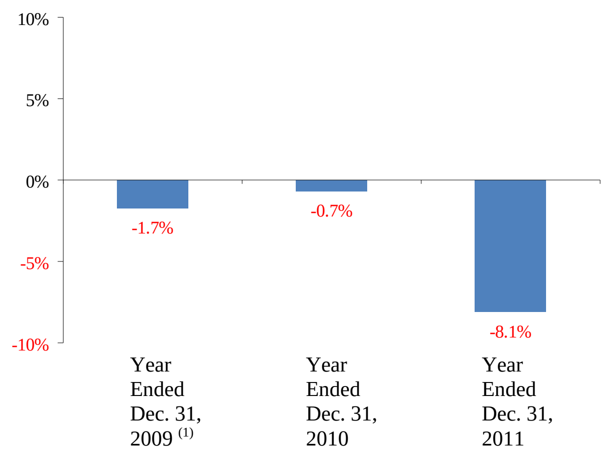
Overall Portfolio



Long Positions



Short Positions



(1) Period from June 17, 2009 (Fund inception) to December 31, 2009.

Compound Returns

The following table shows the Fund's compound return for each period indicated, compared with the Merrill Lynch U.S. High Yield Master II Index hedged to CAD ("High Yield Index"), the S&P/TSX Composite Total Return Index ("TSX") and the S&P 500 Total Return Index hedged to CAD ("S&P 500"). The High Yield Index is a broad-based index that tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The TSX tracks the performance of approximately 300 large-cap stocks listed on the TSX and the S&P 500 tracks 500 large-cap U.S. stocks representing all major industries. The High Yield Index, TSX and S&P 500 are calculated without the deduction of fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

	Year ended December 31, 2011	**Since Inception (1)**
Marret High Yield Strategies Fund - Overall (2)	1.4%	8.6%
Long positions	*9.5%*	*19.1%*
Short positions (3)	*-8.1%*	*-10.5%*
BofA Merrill Lynch U.S. High Yield Master II Index (4)	4.5%	15.6%
S&P/TSX Composite Total Return Index	-8.7%	9.0%
S&P 500 Total Return Index (4)	2.2%	15.6%

(1) Period from June 17, 2009 (Fund inception) to December 31, 2011.
(2) Based on Net Asset Value per unit and assuming that distributions made by the Fund on its units in the periods shown were reinvested (at Net Asset Value per unit) in additional units of the Fund.
(3) Annual compound return for short positions does not include foreign currency hedging gains/losses.
(4) Hedged to the Canadian dollar.

Summary of Investment Portfolio

As at December 31, 2011

Portfolio Composition (1)

Category	Percentage of Net Asset Value
High Yield Corporate Debt Long	29.9%
High Grade Corporate Debt Long	26.0%
ETFs Long	4.2%
Bank Loans Long	3.9%
Equities Long	2.3%
Convertible Debt Long	1.7%
Capital Structure Arbitrage - Debt Long vs Equity Short	0.2%
Government Debt Long	0.0%
Business Trusts Long	0.0%
Business Trusts Short	-2.2%
Equities Short	-3.2%
High Yield Corporate Debt Short	-3.3%
ETFs Short	-3.8%
Government Debt Short	-21.2%
Cash and Cash Equivalents	60.4%
Other assets (liabilities)	5.2%
Total Net Asset Value (in $ millions)	605.3

Top 25 Holdings (2)

Security Name	Percentage of Net Asset Value
Long Positions	
Cash and Cash Equivalents	59.9%
Procter & Gamble Co/The 5.55% 05Mar2037	3.8%
McDonald's Corp 6.3% 01Mar2038	3.3%
Johnson & Johnson 4.85% 15May2041	2.9%
Johnson & Johnson 4.5% 01Sep2040	2.6%
iShares S&P/TSX Global Gold	2.6%
Microsoft Corp 5.3% 08Feb2041	2.5%
Wal-Mart Stores Inc 5% 25Oct2040	2.1%
NBCUniversal Media LLC 5.95% 01Apr2041	2.0%
Newport Finance Corp Term Loan 02Mar2012	2.0%
HCA Inc 8.5% 15Apr2019	1.8%
Procter & Gamble Co/The 4.7% 15Feb2019	1.7%
Ford Motor Credit Co LLC 7.8% 01Jun2012	1.7%
Microsoft Corp 3% 01Oct2020	1.7%
Charter Comm Opt LLC/Cap 10.875% 15Sep2014 144A	1.7%
Qwest Communications Int 8% 01Oct2015	1.6%
New Gold Inc 5% 29Jun2014	1.6%
MGM Resorts Intl 13% 15Nov2013	1.6%
SPDR Gold Trust	1.6%
Short Positions	
Canadian Government 4% 01Jun2041	-8.7%
US Treasury N/B 3.125% 15Nov2041	-8.3%
US Treasury N/B 3.75% 15Aug2041	-2.3%
US Treasury N/B 2% 15Nov2021	-1.7%
iShares Russell 2000	-1.6%
RioCan Real Estate Invst Tr	-1.5%
Total Portfolio Longs	67.6%
Total Portfolio Shorts	-33.6%

(1) Through the Forward Agreement, the Fund is exposed to the value of the investment portfolio of Marret HYS Trust. A summary of the investment portfolio of Marret HYS Trust is included above.

(2) The top 25 holdings of Marret HYS Trust, as a percentage of the Net Asset Value of Marret HYS Trust, have been presented in accordance with NI 81-106.

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of each quarter end.

The prospectus and other information about Marret HYS Trust are available on the internet at www.sedar.com and at www.marret.com.

2011 Tax Information

The following information is applicable to unitholders who, for the purpose of the Income Tax Act (Canada), are resident in Canada and hold units as capital property outside of an RRSP, RRIF or DPSP. Unitholders should receive a T3 slip from their investment dealer providing this information.

T3 supplementary slips for holdings of the Fund will indicate Return of Capital in Box 42. The return of capital component is a non-taxable amount that serves to reduce the adjusted cost base of the Fund units.

The following table outlines the breakdown of the Fund's distributions declared in 2011 on a per unit basis.

Record Date	Payment Date	Amount	Dividend Income	Capital Gains	Return of Capital
31-Jan-11	14-Feb-11	$ 0.0670	$ -	$ -	$ 0.0670
28-Feb-11	14-Mar-11	$ 0.0670	$ -	$ -	$ 0.0670
31-Mar-11	14-Apr-11	$ 0.0670	$ -	$ -	$ 0.0670
29-Apr-11	13-May-11	$ 0.0670	$ -	$ -	$ 0.0670
31-May-11	14-Jun-11	$ 0.0670	$ -	$ -	$ 0.0670
30-Jun-11	15-Jul-11	$ 0.0670	$ -	$ -	$ 0.0670
31-Jul-11	15-Aug-11	$ 0.0670	$ -	$ -	$ 0.0670
31-Aug-11	15-Sep-11	$ 0.0670	$ -	$ -	$ 0.0670
30-Sep-11	17-Oct-11	$ 0.0670	$ -	$ -	$ 0.0670
31-Oct-11	15-Nov-11	$ 0.0670	$ -	$ -	$ 0.0670
30-Nov-11	14-Dec-11	$ 0.0670	$ -	$ -	$ 0.0670
31-Dec-11	13-Jan-12	$ 0.0670	$ -	$ -	$ 0.0670
2011 Cash Distributions Totals		**$ 0.8040**	**$ -**	**$ -**	**$ 0.8040**

This information is of a general nature only and does not constitute legal or tax advice to any particular investor. Accordingly, investors are advised to consult their own tax advisors with respect to their individual circumstances.

Portfolio Manager

Marret Asset Management Inc.

Marret Asset Management is a credit fixed income manager. The firm advises on approximately $6 billion in high yield and investment grade corporate debt assets for institutional and retail clients. Marret is registered as a Portfolio Manager, Investment Fund Manager, Exempt Market Dealer and Commodity Trading Manager with the Ontario Securities Commission and as an Exempt Market Dealer in certain other jurisdictions of Canada. The firm was founded in Toronto by Barry Allan and began operations in late 2001. Marret is 100% employee-owned and is committed to maintaining significant employee ownership in order to assemble the most qualified credit team and to achieve the best possible returns for clients.

Portfolio Update and Outlook

To start 2012, markets have responded favorably to improving economic data, which included stronger than expected payroll data, consistently falling jobless claims, as well as positive auto and housing related sales data. Additionally, over in Europe, Greece reached an agreement with its creditors for an orderly restructuring. Between that agreement and the ECB's second LTRO, which effectively provided banks with added liquidity that could be used in supporting European peripheral bond auctions, markets became more optimistic about Europe's ability to deal with its extremely high debt burden without further crisis. Yields on most European sovereign debt have decreased substantially since the end of 2011. Other central banks also took accommodative actions. The Fed extended the expected time frame of its zero interest rate policy well into 2014, and China reduced reserve requirements for its banking system. This combination of improved economic data, added liquidity measures and improvement in the outlook for Europe continued to fuel investor optimism.

In the short term, our previous expectation for stronger markets to begin the year continues, although our long term cautious stance remains unchanged. Our positive short term view on risk assets was predicated on the following: i) an expectation of continued improvement in economic data following a rebound from what we felt were the negative economic effects of the US debt ceiling issues; ii) improvement in risk sentiment resulting from credible moves made by the ECB towards stabilizing the European banking system; and iii) a commitment by the Fed to continue its low interest rate policy until the economy is on firmer footing. While the market has become increasingly optimistic that a sustainable economic recovery is taking hold, we do not currently see convincing evidence of such a recovery. We still believe extremely high debt levels across many Western nations will impede robust economic growth, and the austerity measures that are being implemented are more likely to result in downside risks over the coming quarters rather than upside surprises. We continue to see the drag of consumer deleveraging, despite improving short term coincident indicators. Important broader measures of economic health, including real consumer spending and business capital expenditures, do not point decisively to economic reacceleration. Employment data has recently presented a more positive picture, but we cannot conclude it is a significant, sustainable change, given that some of the improvement is likely attributable to limited seasonal layoffs resulting from relatively mild weather. Our experience has taught us that markets often want to extrapolate short term improvements in data and sentiment too far out into the future when it is often imprudent to do so. We are increasingly concerned that high oil prices will soon begin to spill over into the real economy, becoming a further headwind limiting future economic growth. We are closely watching other technical indicators that are presenting a mixed picture. While the rally in equities has been robust, volumes have been light, and small cap stocks have recently begun to weaken. Even the Fed continues to acknowledge the disparity between data, seeing modest improvement, but still highlighting downside risks.

Markets may continue to move higher over the next couple of months, however, intermediate term risks remain extremely high. While we are closely watching for any concrete signs of sustained economic improvement, in their absence we remain defensively positioned with core positions in AA/AAA corporate bonds hedged with U.S. Treasury shorts and short duration, high quality, high yield bonds, plus some modest exposure to precious metals. We continue to believe that high yield will remain one of the most attractive asset classes over the coming years, given our expectation of a low growth, low interest rate environment for the foreseeable future coupled with low default rates in the intermediate term. Nevertheless, if growth begins to decelerate in the coming quarters, volatility is bound to increase. In addition, declining dealer inventories due to regulatory changes may amplify the volatility in credit going forward. We expect that volatility will lead to strong buying opportunities for high yield credit over the coming quarters.

Forward-Looking Statements

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may," "will," "should," "could," "anticipate," "believe," "expect," "intend," "plan," "potential," "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein *are based on what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.*

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