MARRET ASSET MANAGEMENT INC.

Interim Financial Statements

Marret High Yield Strategies Fund

(unaudited)

June 30, 2012

NOTICE

The accompanying unaudited financial statements of Marret High Yield Strategies Fund for the six months ended June 30, 2012 have been prepared by management and have not been reviewed by the external auditors of the Fund.

Statements of Net Assets

As at (unaudited)		June 30 2012		December 31 2011
Assets				
Investments, at fair value (note 2)	$	15,558	$	15,718
Forward purchase agreement, at fair value (note 3)		796,064,204		610,128,614
Cash and cash equivalents		561,493		245,471
Accrued interest		36		37
Prepaid expenses		37,586		-
Total assets		**796,678,877**		**610,389,840**
Liabilities				
Accrued liabilities		1,381,010		1,108,206
Distributions payable to unitholders		5,409,239		3,997,964
Total liabilities		**6,790,249**		**5,106,170**
Unitholders' equity				
Unitholders' equity		723,300,622		539,308,930
Retained earnings		66,588,006		65,974,740
Net Assets representing unitholders' equity	**$**	**789,888,628**	**$**	**605,283,670**
Units outstanding (note 4)		**80,734,909**		**59,671,109**
Net Assets per unit (note 2)	**$**	**9.78**	**$**	**10.14**

Approved on behalf of the Manager, Marret Asset Management Inc.

Barry Allan
President & Chief Executive Officer

Marcus Spain
Chief Financial Officer

See accompanying notes which are an integral part of these semi-annual financial statements.

Statements of Operations and Retained Earnings

For the six-month periods ended June 30 (unaudited)		**June 30 2012**		**June 30 2011**
Income				
Interest revenue	$	224	$	176
Expenses				
Management fees (note 5)		1,026,718		572,698
Service fees (note 5)		1,642,715		916,316
Audit fees		2,806		12,043
Custodial fees		18,843		18,070
Trustee fees		2,742		5,488
Legal fees		2,426		8,232
Regulatory fees		35,206		54,071
Transfer agent fees		6,959		6,505
Counterparty fees (note 5)		933,020		519,294
Total expenses		**3,671,435**		**2,112,717**
Net investment loss		**(3,671,211)**		**(2,112,541)**
Realized and unrealized gain / (loss) on investments				
Net realized gain on forward purchase agreement		3,070,270		3,181,378
Change in unrealized appreciation on forward purchase agreement		1,233,113		13,314,872
Change in unrealized appreciation / (depreciation) on investments		(160)		30
Realized and unrealized gain / (loss) on investments		**4,303,223**		**16,496,280**
Increase in net assets from operations	**$**	**632,012**	**$**	**14,383,739**
Increase in net assets from operations per unit [1]	**$**	**0.01**	**$**	**0.37**
Retained earnings, beginning of period	**$**	65,974,740	**$**	63,748,609
Increase in net assets from operations		632,012		14,383,739
Shares redeemed at more than weighted average unit capital		(18,746)		
Retained earnings, end of period	**$**	**66,588,006**	**$**	**78,132,348**

[1] Based on the weighted average number of units outstanding for the period.

See accompanying notes which are an integral part of these semi-annual financial statements.

Statements of Changes in Net Assets

For the six-month periods ended June 30 (unaudited)		June 30 2012		June 30 2011
Net Assets, beginning of period	**$**	605,283,670	**$**	414,311,285
Operations:				
Increase / (decrease) in net assets from operations		632,012		14,383,739
Unitholder transactions:				
Distribution to unitholders				
Return of capital		(31,049,841)		(15,435,236)
Proceeds from issuance of units		224,555,250		-
Payments on redemption of units		(208,676)		-
Issuance costs		(9,323,787)		(2,509)
Total unit transaction		183,972,946		(15,437,745)
Increase / (decrease) in Net Assets		**184,604,958**		**(1,054,006)**
Net Assets, end of period	**$**	**789,888,628**	**$**	**413,257,279**

See accompanying notes which are an integral part of these semi-annual financial statements.

Statements of Cash Flows

For the six-month periods ended June 30 (unaudited)		**June 30 2012**		**June 30 2011**
Cash flows provided by / (used in) operating activities:				
Net investment income / (loss)	**$**	(3,671,211)	**$**	(2,112,541)
Proceeds on partial settlements of forward agreement		33,590,833		17,700,927
Prepayment of forward agreement		(215,223,040)		-
Net change in working capital		235,219		(77,294)
Cash provided by / (used in) operating activities		**(185,068,199)**		**15,511,092**
Cash flows provided by / (used in) financing activities:				
Proceeds from issuance of units		224,555,250		-
Issuance costs		(9,323,787)		(2,509)
Distributions paid to unitholders		(29,638,566)		(15,435,236)
Payments on redemption of units		(208,676)		-
Cash provided by / (used in) financing activities		**185,384,221**		**(15,437,745)**
Net increase / (decrease) in cash and cash equivalents		**316,022**		**73,347**
Cash and cash equivalents, beginning of period		**245,471**		**16,408**
Cash and cash equivalents, end of period	**$**	**561,493**	**$**	**89,755**

See accompanying notes which are an integral part of these semi-annual financial statements.

Statement of Investment Portfolio

As at June 30, 2012 (unaudited)

Par Value		Average Cost ($)	Fair Value ($)
Canadian Bond			
15,000	Government of Canada, 3.000%, 2014/06/01	15,285	15,558
Government of Canada & Guaranteed (0.00%, 12/31/2011: 0.00%)		**15,285**	**15,558**
Forward Purchase Agreement (note 3) (100.78%, 12/31/2011: 100.80%)		**729,704,827**	**796,064,204**
Total Investments (100.78%, 12/31/2011: 100.80%)		**729,720,112**	**796,079,762**
Other assets, less liabilities (-0.78%, 12/31/2011: -0.80%)			(6,191,134)
Total Net Assets (100.00%)			**789,888,628**

See accompanying notes which are an integral part of these financial statements.

Notes to the Financial Statements
June 30, 2011
(unaudited)

1. Fund Activities

Marret High Yield Strategies Fund (the “Fund”) is a closed-end investment fund established under the laws of the Province of Ontario and is governed by a declaration of trust dated May 28, 2009. Marret Asset Management Inc. (“Marret” or the “Manager”) is the manager of the Fund and provides all administrative services required by the Fund.

The Fund's investment objectives are:

(i) to maximize total returns for holders of units consisting of both tax-advantaged distributions and capital appreciation, while reducing risk; and
(ii) to provide unitholders with attractive monthly tax-advantaged cash distributions

The Fund has exposure to a portfolio focused primarily on High Yield Debt. The Manager’s investment strategy for the portfolio is designed to produce attractive risk-adjusted returns in each phase of the credit cycle. Over the course of the credit cycle, the investment strategy seeks to generate returns consistent with the long-term performance of equity indices, and with volatility and risk characteristics consistent with 10-Year U.S. Treasury notes.

Units of the Fund commenced trading on June 17, 2009 on the Toronto Stock Exchange. Net proceeds of $214.6 million (net of issue costs of $12.73 million) were raised in the initial public offering and exercise of the over-allotment option to brokers, on the issuance of 22,730,000 units.

The Fund made additional offerings of units in October 2010, September 2011, and February 2012. In October 2010, net proceeds of $167.3 million (net of issue costs of $7.4 million) were raised in an offering and exercise of the over-allotment option to brokers, on the issuance of 15,666,109 units. In September 2011, net proceeds of $225.2 million (net of issue cost of $9.8 million) were raised in an offering and exercise of the over-allotment option to brokers on the issuance of 21,275,000 units. In February 2012, net proceeds of $215.2 million (net of issue cost of $9.3 million) were raised in an offering and exercise of the over-allotment option to brokers on the issuance of 21,085,000 units.

To provide the Fund with the means to meet its investment objectives, the Fund used the net proceeds of its offerings to prepay its obligations under a forward purchase and sale agreement (the “Forward Purchase Agreement”) with The Bank of Nova Scotia (the “Counterparty”) all as described in note 3. Such net proceeds were invested by the Counterparty in Marret HYS Trust (the "Trust"). The cash received from the Counterparty was used by the Trust to purchase the portfolio securities.

2. Significant Accounting Policies

Basis of Presentation
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements requires management to make estimates and assumptions that may impact the reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ from these estimates. The significant accounting policies followed in the preparation of these financial statements are summarized below:

Investments

The Fund’s securities are held for trading and are presented at fair value. Investments held that are traded in an active market through recognized public stock exchanges, over the counter markets, or through recognized investment dealers, are valued at their bid prices. The cost of investments represents the amount paid for each security, and is determined on an average cost basis excluding commissions and other portfolio transaction costs, where applicable. The difference between fair value and the average cost of securities is recorded as unrealized appreciation/ (depreciation) of investments. Security transactions are recorded on a trade-date basis. Realized gains/(losses) on the disposition of securities and unrealized appreciation/(depreciation) of securities are determined on an average cost basis.

Forward Purchase Agreement

The fair value of the Forward Purchase Agreement (note 3) is the value that would be realized if, as of any date, the Forward Purchase Agreement was settled in accordance with its terms, in which case the value shall be determined with reference to the current fair value of the underlying investments of the Trust using closing sale prices. If no sale has taken place that day, valuation will be at the average of the bid and ask price. The value takes into account amounts equal to other assets including cash, prepaids and distributions receivable, less the liabilities of the Trust and other liabilities attributed to the Forward Purchase Agreement on such date.

The unrealized appreciation on the Forward Purchase Agreement and the realized gains on partial settlements on the Forward Purchase Agreement are included in the statement of operations.

Income Recognition

Interest income is recorded on an accrual basis.

Net assets per unit

The net assets is calculated by subtracting the aggregate amount of the liabilities from the total assets of the Fund. The net assets per unit is calculated by dividing the net assets by the number of units outstanding.

Increase (decrease) in net assets from operations per unit

Increase (decrease) in net assets from operations per unit in the statements of operations represents the increase (decrease) in net assets from operations attributable to the Fund, divided by the weighted average number of units of the Fund outstanding during the period.

Financial Instruments

The Fund’s financial instruments include cash and cash equivalents, investments and derivatives, receivables for accrued interest and for portfolio securities sold, payables for portfolio securities purchased and distributions payable and other accrued expenses. Investments and derivatives are classified as held for trading and carried at fair value. Cash and cash equivalents, receivables for accrued interest and for portfolio securities sold are designated as loans and receivables and reported at amortized cost. Payables for portfolio securities purchased and distributions payable and other accrued expenses are designated as other financial liabilities and reported at amortized cost.

Issuance Costs

Issue costs associated with the offerings have been recorded as a reduction to unitholders’ equity during the periods. The amount represents a one-time charge in connection with each offering and was paid out of the gross proceeds of the offerings.

3. Forward Purchase Agreement

Pursuant to the Forward Purchase Agreement, the Counterparty will acquire, on or before May 30, 2014 ("the Termination Date"), the Canadian securities portfolio ("Canadian Securities") having a value based on the economic return provided by the Portfolio from inception to the Termination Date. The Portfolio is held by the Trust. Under the Forward Purchase Agreement, the Counterparty will deliver, on the Termination Date, a specified portfolio of Canadian Securities with an aggregate value equal to the redemption proceeds of all of the corresponding units of the Trust, net of any amount then owing by the Fund to the Counterparty. The Fund will partially settle the Forward Purchase Agreement prior to the Termination Date in order to fund (i) redemptions, distributions, and repurchases of units; and (ii) operating expenses and other liabilities of the Fund. Pursuant to the terms of the Forward Purchase Agreement, the Counterparty will, in connection with a requested partial settlement deliver to the Fund securities of certain issuers in the Canadian Securities Portfolio based on the partial settlement amount. The Counterparty is the Bank of Nova Scotia rated AA by the Dominion Bond Rating Service.

The fair value of the Fund's Forward Purchase Agreement is equal to the net asset value of the Trust calculated at closing sale prices. For financial statement reporting purposes, the net assets of the Trust includes the investments measured in accordance with Section 3855 of the CICA Handbook, which for publicly listed securities is based on closing bid prices for securities held long and on closing ask prices for securities held short, on a recognized stock exchange on which the investments are listed or principally traded.

The following reconciles the net assets of the Trust for financial reporting purposes to the fair value of the Forward Purchase Agreement:

	As at June 30, 2012	**As at December 31, 2011**
Net assets of Marret HYS Trust	$ 793,923,153	$ 608,404,025
Valuation adjustment to Portfolio Securities to closing sale prices	2,141,051	1,724,589
Forward purchase agreement, at fair value	$ 796,064,204	$ 610,128,614

4. Unitholders' Capital

Pursuant to the declaration of trust, the Fund is authorized to issue an unlimited number of transferable, redeemable fund units of one class, each of which represents an equal, undivided interest in the net assets of the Fund. All units have equal rights and privileges. Each whole unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund and distributions upon the termination of the Fund.

Annual Redemptions

Annual Conditional Redemption Right

The annual redemption date is on the last business day in July of each year beginning in 2011. Units may be redeemed at the option of Unitholders on the annual redemption date of each year, if and only if the annual redemption condition, described below, has been met in such year. Units so redeemed will be redeemed at a redemption price equal to the net asset value per unit on the annual redemption date, less any costs associated with the redemption, including commissions and other such costs, if any, related to the partial settlement of the Forward Purchase Agreement to fund such redemption. The units must be surrendered for redemption at least ten business days prior to the annual redemption date. Payment of the proceeds of redemption will be made on or before the 15th business day of the following month.

Annual Redemption Condition: Units may only be redeemed on an annual redemption date if the average of the net asset values of the units on the first four valuation dates occurring in the month of May preceding the annual redemption date is less than $10.59. On the first business day following the fourth such valuation date, the Manager will issue a press release stating the average net asset value and whether or not the annual conditional redemption right has been triggered.

Monthly Redemptions
The monthly redemption date is the second last business day of each month, other than July in a year where the annual redemption condition has been met. Units may be redeemed at the option of unitholders on a monthly redemption date, subject to certain conditions and, in order to effect such a redemption, the units must be surrendered on the date which is the last business day of the month preceding the monthly redemption date. Payment of the redemption price will be made on or before the redemption payment date, subject to the Manager's right to suspend redemptions in certain circumstances.

Unitholders surrendering a unit for monthly redemption will receive a redemption price equal to the lesser of: (i) 94% of the weighted average trading price on the TSX for the 10 days immediately preceeding the monthly redemption date, and (ii) 100% of the TSX closing market price, or if no closing price is provided then the average of the highest and lowest traded price, or if highest and lowest trades are not available, then the average of the last bid and last ask, in each instance in reference to transactions on the monthly redemption date. The proceeds will be net of any costs associated with the redemption including brokerage costs.

The issued and outstanding units as at June 30, 2012 and June 30, 2011 consist of:

	June 30, 2012	**June 30, 2011**
Units outstanding - beginning of year	59,671,109	38,396,109
Units issued	21,085,000	-
Units reinvested	-	-
Units redeemed [1]	(21,200)	-
Units outstanding - end of year	**80,734,909**	**38,396,109**

[1] These units were purchased and cancelled pursuant to an issuer bid program. The bid program expires May 9, 2013 and permits the purchase of a maximum of 8,074,890 units at prices which are less than the net asset value per Unit at the time of purchase (subject to certain other conditions including 30 day purchase limitations).

5. Fees and Expenses

The Fund retained Marret Asset Management Inc., under an administration agreement (the "Administration Agreement") dated May 28, 2009 to administer all of the ongoing operations of the Fund. In consideration for the services provided by the Manager, the Fund pays a management fee 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 paid by the Trust). The management fee is calculated daily and payable monthly in arrears, plus applicable taxes. The total management fees (inclusive of taxes) earned by Marret Asset Management Inc. for the six-month period ended June 30, 2012 were $1,026,718 (June 30, 2011 - $572,698), of which $184,172 (December 31, 2011 - $145,723) remained payable.

The Manager is also paid 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 plus applicable taxes. The service fee is in turn paid to the investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter.

The Fund will pay to the Counterparty an additional purchase amount under the Forward Purchase Agreement, calculated weekly and payable quarterly in arrears. The amount was initially 0.25% per annum of the notional amount of the Forward Purchase Agreement (being effectively equal to the net asset value of the Trust). Effective February 21, 2012 the rate changed to 0.276% reflecting the fact that the Counterparty's obligation is partially collateralized in accordance with new regulatory guidance.

All other reasonable expenses in connection with the administration of the Fund are paid by the Fund.

6. Income Taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). A mutual fund trust is subject to tax on its net investment income for the year, including any net realized capital gains, which are not paid or payable to its unitholders. The financial statements of the Fund do not include a provision for income taxes because under the terms of the declaration of trust, net investment income and net realized capital gains are distributed each year to unitholders and are taxable in the unitholders' hands.

During the six-month period ended June 30, 2012, the Fund made monthly cash distributions which totaled $0.40 (six-month period ended June 30, 2011 - $0.40) per unit.

The Fund did not realize any income, gain or loss as a result of entering into the Forward Purchase Agreement and no amount is expected to be included in the Fund's income by virtue of the acquisition of the Canadian Securities through partial pre-settlements or final settlement of the Forward Purchase Agreement. The cost to the Fund of such Canadian Securities will be that portion of the aggregate amount paid by the Fund under the Forward Purchase Agreement attributable to the Canadian Securities. The resulting gains or losses realized by the Fund on the sale of Canadian Securities acquired pursuant to the Forward Purchase Agreement is expected to be taxed as capital gains or capital losses.

At December 31, 2011, the most recent taxation year end, the Fund has no capital loss carryforwards available to offset future capital gains for tax purposes. The non-capital loss amounts by year of expiry are as follows:

2029	$	1,864,522
2030		4,773,541
2031		8,001,929
Total	**$**	**14,639,992**

7. Capital Management

The Fund's capital consists of the unitholders' equity. The Manager is responsible for managing the underlying Trust's investments in line with its mandate and the affairs of the Fund, including receipt of cash from partial unwinds of the Forward Purchase Agreement primarily to fund operating expenses, annual and monthly redemptions (note 4), and monthly distributions.

8. Financial Instrument Risk Management

In the normal course of business, the Fund is exposed to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk. The Fund's overall risk management program focuses on compliance and execution of the Fund's investment objectives.

The Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisers, daily monitoring of the Fund's positions and market events and by diversifying the investment portfolio of the Trust within the constraints of the investment strategy. To assist in managing risks, the Manager also uses internal guidelines that identify the target exposure for each type of risk, maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations

Price Risk
Price Risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment.

By virtue of the Forward Purchase Agreement, the price risk for the Fund is derived from the value of the investments held by the Trust. The value of the Trust's equity investments can fluctuate on a daily basis as a result of factors outside of the Fund's control, including financial performance of the issuers of the underlying Trust's investments, operational risks relating to the specific business activities of the respective issuers, quality of assets owned by respective issuers, commodity prices, exchange rates, interest rates, environmental risks, political risks, issues relating to government regulation and taxation, composition of the investments and other financial market conditions.

If the prices for the equity securities held by the Trust had increased or decreased by 5% as at June 30, 2012 (December 31, 2011 – 5%), with all other variables remaining constant, net assets of the Fund would have decreased or increased by approximately $241,822 or 0.03% (December 31, 2011 – increased or decreased $872,018, or 0.14%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Concentration Risk
By virtue of the Forward Purchase Agreement, the Fund is exposed to concentration risk of the Trust's underlying portfolio.

The table below summarizes the concentration risk as a percentage of the underlying Trust's net assets.

	June 30, 2012	December 31, 2011
Government of Canada & Government Guaranteed - short	3.59%	(8.73%)
Canadian Convertible Bonds	1.45%	1.71%
Canadian Corporate	12.46%	11.20%
Canadian Corporate - short positions	(0.39%)	(0.34%)
U.S. Federal Bonds & Government Guaranteed	5.02%	-
U.S. Federal Bonds & Government Guaranteed - short	(11.21%)	(12.38%)
U.S. Corporate Bonds	41.34%	44.43%
U.S. Corporate Bonds - short positions	(11.76%)	(2.98%)
International Bonds	0.92%	-
Total of Bonds	**41.42%**	**32.91%**
Term Loans	**0.80%**	**3.83%**
Canadian Equities	2.47%	4.81%
Canadian Equities - short positions	(2.53%)	(4.47%)
United States Equities	2.24%	1.58%
United States Equities - short positions	(2.79%)	(4.79%)
Total Equities	**(0.61%)**	**(2.87%)**
Total Investments	**41.61%**	**33.87%**

Interest Rate Risk

Interest rate risk arises from changes in the prevailing levels of market interest rates, resulting in fluctuations in the value of interest bearing financial instruments.

By virtue of the Forward Purchase Agreement, the Fund is exposed to changes in the value of the Trust's interest bearing securities.

The table below summarizes the Trust's net exposure to interest rate risks by remaining term to maturity.

	June 30, 2012			December 31, 2011		
	Long	**Short**	**Net**	**Long**	**Short**	**Net**
< 1 year	15,365,582	-	15,365,582	18,936,711	-	18,936,711
1 - 3 years	82,727,171	(3,840,020)	78,887,151	47,958,116	-	47,958,116
3- 5 years	124,922,215	(33,047,510)	91,874,705	40,208,633	(4,953,604)	35,255,029
> 5 years	297,652,695	(148,607,743)	149,044,952	265,052,252	(143,726,834)	121,325,418
Total	**520,667,663**	**(185,495,273)**	**335,172,390**	**372,155,712**	**(148,680,438)**	**223,475,274**

If interest rates had increased or decreased by 1% at June 30, 2012 (December 31, 2011 – 1%), with all other variables remaining constant, net assets would have decreased or increased by approximately $19,700,080 or 2.48% (December 31, 2011 - $4,742,300 or 0.78%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Currency Risk

Currency risk is the risk that the value of investments will fluctuate due to changes in foreign exchange rates. This risk arises when financial instruments (including cash and cash equivalents) are denominated in a currency other than Canadian dollars, which represents the Fund's functional currency.

The portfolio securities of the Trust, to which the Fund is exposed through the Forward Purchase Agreement, are comprised in part of US dollar denominated securities. The table below indicates the currencies to which the Trust had significant net exposure as at June 30, 2012 and December 31, 2011, on its trading monetary and non-monetary assets and liabilities, as well as the underlying notional amount of forward currency contracts.

As at June 30, 2012

	Currency risk Investments	Working Capital	Currency risk Due from / (to) Broker	Forward Currency Contract	Net Exposure	As a % of Net Assets
U.S. Dollar	275,223,238	(11,897,878)	3,533,148	(226,695,109)	40,163,399	5.06%

As at December 31, 2011

	Currency risk Investments	Working Capital	Currency risk Due from / (to) Broker	Forward Currency Contract	Net Exposure	As a % of Net Assets
U.S. Dollar	190,250,703	37,330,246	18,240,639	(212,771,594)	33,049,994	5.43%

As at June 30, 2012, had the Canadian dollar strengthened or weakened by 5% (December 31, 2011 – 5%) in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $2,054,201 or 0.26% (December 31, 2011 - $1,652,500 or 0.27%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The main concentration of credit risk would be investments in debt instruments and derivatives. The Fund is fully exposed to the credit risk of the Bank of Nova Scotia due to the prepaid Forward Purchase Agreement. The Fund is also indirectly exposed to the credit risk of the investments held by the Trust. The fair value includes consideration of the credit worthiness of the issuer and therefore represents the maximum credit exposure of the Fund.

As at June 30, 2012 and December 31, 2011, the Trust invested in debt securities with the following credit ratings:

	As a % of the Trust's Net Assets					
Debt securities by debt ratings	**June 30, 2012**			**December 31, 2011**		
	Long	**Short**	**Net**	**Long**	**Short**	**Net**
AAA	15.28	(11.21)	4.07	5.52	(21.12)	(15.60)
AA	13.72	-	13.72	11.82	-	11.82
A	3.47	-	3.47	5.31	-	5.31
BBB	2.96	-	2.96	3.16	-	3.16
BB	5.35	(5.14)	0.21	14.06	(1.34)	12.72
B	13.06	(5.69)	7.37	11.26	(1.58)	9.68
CCC	3.15	(1.32)	1.83	2.25	(0.40)	1.85
Unrated	8.59	-	8.59	7.79	-	7.79
Total	**65.58**	**(23.36)**	**42.22**	**61.17**	**(24.44)**	**36.73**

As at June 30, 2012 and December 31, 2011 the Trust invested in short-term investments with the following debt ratings:

	As a % of the Trust's Net Assets	
Short-term investment rating	**June 30, 2012**	**December 31, 2011**
R - 1(H)	57.54	53.54
Total	57.54	53.54

As at June 30, 2012 and December 31, 2011 the Trust invested in derivatives with the following counterparty ratings:

	As a % of the Trust's Net Assets	
Counterparty Ratings	**June 30, 2012**	**December 31, 2011**
A1+	0.03	-
A1	0.21	(0.14)
Total	0.24	(0.14)

Liquidity Risk
The Fund is exposed to annual and monthly redemptions. By virtue of the Forward Purchase Agreement, the Fund indirectly invests a substantial portion of its assets in investments that are traded in an active market and can be readily disposed of. There can be no assurance that an adequate market for the Trust's investments will exist at all times, or that the prices at which the underlying investments trade, accurately reflect their net asset values. Partial pre-settlement of the Forward Purchase Agreement prior to the Termination Date is used to fund redemptions, distributions, operating expenses, and other liabilities of the Fund. All liabilities are due in less than 3 months.

Fair Value Hierarchy
Canadian Institute of Chartered Accountants Handbook Section 3862 ("Section 3862"), Financial Instruments - Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the hierarchy are as follows:

Level (1) - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level (2) - investments with inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level (3) - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The following is a summary of the inputs used in valuing the Fund's investments and derivatives carried at fair values:

As at June 30, 2012

	Level 1	Level 2	Level 3	Total
Bonds	$	$ 15,558	$	$ 15,558
Forward purchase agreement	-	796,064,204	-	796,064,204
Total Investments	**$ -**	**$ 796,079,762**	**$ -**	**$ 796,079,762**

As at December 31, 2011

	Level 1	Level 2	Level 3	Total
Bonds	$	$ 15,718	$	$ 15,718
Forward purchase agreement	-	610,128,614	-	610,128,614
Total Investments	**$ -**	**$ 610,144,332**	**$ -**	**$ 610,144,332**

The underlying Trust's financial statements include the fair value hierarchy disclosures for the investments it holds.

9. Transition to International Financial Reporting Standards

At the December 12, 2011 meeting, the Canadian Accounting Standards Board (AcSB) decided to extend the mandatory International Financial Reporting Standards (IFRS) changeover date for Canadian investment companies by an additional year. This is the third such deferral for investment companies. Accordingly, the new mandatory IFRS changeover date for these entities is January 1, 2014. The AcSB issued the amendment to the Introduction to Part I of the CICA Handbook in March 2012.

The Fund has been monitoring developments in the IFRS conversion program and has been assessing the likely impacts on implementation decisions, internal controls, information systems and training. In May 2011, the International Accounting Standards Board issued IFRS 13 Fair Value Measurement, which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. It only applies when other IFRSs require or permit fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. It allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This may result in elimination of the differences between the Net Assets per unit and Net Asset Value per unit at the financial statements reporting dates.

Based on the Fund's current assessment of the differences between Canadian GAAP and IFRS, other than the impact due to IFRS 13 noted above, it is not expected that there would be any other impact on the Funds' Net Asset Value per unit or Net Assets per unit. Management has presently determined that the impact of IFRS to the financial statements would be limited to additional note disclosures and potential modifications to presentation including unitholders' equity. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

10. Subsequent Event

On August 1, 2012, the Manager announced that 9,204,598 units of the Fund (representing 11.4% of the outstanding units of the Fund) were submitted for redemption on the annual redemption date of July 31, 2012. Unitholders who tendered units for redemption were entitled to receive $9.8164 per unit, the net asset value per unit on the annual redemption date. Redeeming unitholders were also entitled to receive the previously announced month distribution for July of $0.05 per unit. Payments were to be made on or about August 13, 2012.