



March 28, 2013

Dear Investor:

The independent review committee of the Marret Funds (the “IRC”) was established on May 28, 2009. The role of the IRC is to provide approval or recommendation in respect of conflict of interest matters identified by Marret Asset Management Inc. (“Marret”) as the manager of the funds listed in Schedule A to this report (the “Marret Funds”).

Marret is responsible for referring to the IRC any matter which a reasonable person could view Marret as having an interest that may conflict with its ability to act in good faith and in the best interest of the Marret Funds. The IRC reviews each such matter and provides its approval or recommendation, having regard to whether the actions proposed by Marret achieve a fair and reasonable result for the Marret Funds. During 2012, no new conflict of interest matters were referred by Marret to the IRC.

Marret takes governance and stewardship very seriously and continues to view the IRC as an enhancement to its commitment to unitholders for high standards of operations and governance.

The IRC consists of three members who have expertise in a broad range of areas, including the management and oversight of investment funds, accounting and general corporate experience.

During the year, the IRC met on a regular basis, had regular discussions with management, received appropriate representations regarding conflict matters from the CEO and held in-camera discussions with the compliance officer.

The annual IRC review of the effectiveness of Marret’s policies and practices related to conflict matters took note of the fact that: IRC activities had not revealed any issues with the conflict policies or practices; there were no cases of conflict matters not covered by the policies; and that there was no evidence that the policies were not effective. Regular audits of Marret Funds and the internal compliance program have not identified any weaknesses in Marret’s operations that might suggest deficiencies in the conflict policies or process, nor has the IRC received any direct communication on conflict matters.

The IRC also assessed its own independence, effectiveness and compensation and no changes were identified.

Attached is the IRC 2012 Annual Report to Unitholders for the period from January 1, 2012 to December 31, 2012. The IRC is pleased with its continuing operations and found Marret responsive to questions and suggestions. The Marret management team has made itself available and we are comfortable with their dealings with our committee.

We look forward to continuing to serve you and the Marret Funds.

A handwritten signature in black ink, appearing to read "John Anderson", is written over a horizontal line.

John Anderson

Chairman of the Independent Review Committee

## MARRET INDEPENDENT REVIEW COMMITTEE

### 2012 Annual Report to Unitholders

#### MEMBERS OF THE MARRET INDEPENDENT REVIEW COMMITTEE (“MARRET IRC”)

MEMBER OF THE IRC	(RE)APPOINTED IN	EXPIRY OF TERM
John Anderson Chair of the IRC Toronto, Ontario	2010	2013
Ross MacKinnon Huntsville, Ontario	2012	2015
Ronald Riley Toronto, Ontario	2011	2014

Mr. Anderson and Mr. MacKinnon were originally appointed to the IRC on May 29, 2009. Mr. Riley was appointed to the IRC on November 1, 2011

#### SECURITY HOLDINGS AND INDEPENDENCE OF THE MARRET IRC

- a) As at December 31, 2012, the members of the IRC did not beneficially own, directly or indirectly, in aggregate, in excess of 10% of the outstanding units of any class of the Funds.
- b) As at December 31, 2012, no member of the IRC beneficially owned, directly or indirectly, any shares of Marret.
- c) As at December 31, 2012, the members of the IRC beneficially owned, directly or indirectly, in the aggregate, less than 0.01% of the securities of any material service provider to the Funds or Marret.

#### COMPENSATION AND INDEMNITIES

The members of the IRC are entitled to be compensated by the Marret Funds and to be indemnified by the Marret Funds in appropriate circumstances. The aggregate compensation paid to the IRC in respect of all Marret Funds during the most recently completed financial year was \$47,500, \$17,500 for the Chair and \$15,000 for each non Chair member. Each Marret Fund paid a pro rata share of this compensation.

No indemnities have been paid to members of the IRC by the Marret Funds during the most recently completed financial year.

The compensation of the IRC is set, from time to time, by the IRC, giving consideration to the following:

- (i) the most recent assessment of its compensation;
- (ii) the Manager's recommendation, if any;
- (iii) the number, nature and complexity of the investment funds and fund families for which it acts;
- (iv) the nature and extent of the workload of each member of the IRC, including the commitment of time and energy that is expected from each member;
- (v) industry best practices, including industry averages and surveys on independent review committee compensation;
- (vi) the best interests of the Fund; and
- (vii) such other factors deemed necessary or appropriate.

#### **CONFLICT OF INTEREST MATTERS**

- a) Manager acting without positive recommendation

The IRC is not aware of any instance where, during the most recently completed financial year, the Manager acted in a conflict of interest matter referred to the IRC for which the IRC did not provide a positive recommendation.

- b) Manager failing to meet condition

The IRC is not aware of any instance, during the most recently completed financial year, where the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its recommendation or approval.

- c) Reliance on standing instructions, recommendations and approvals

During the financial year, the Manager relied on the following standing instructions, recommendations and approvals of the IRC:

#### **Standing Instructions:**

In July 2012, the Manager received approval from the IRC to acquire shares in Marret Resource Corp. ("MAR") on behalf of Marret High Yield Strategies Fund, without having to refer each purchase to the IRC provided that:

- a. Any such purchase is made on the facilities of the TSX and is made at a purchase price including commission which is at a discount of at least 3% to the net asset value of MAR;
- b. After any such purchase the total ownership of MAR by the Fund:
  - i. and by insiders of the Manager (which shall include all shares owned or controlled by directors and officers and employees of the Manager) will not exceed 10% of the outstanding shares of MAR on a fully diluted basis; and
  - ii. will not exceed 5% of the net asset value of the Fund;

**Recommendations:**

For transactions that may be contemplated in illiquid, non-brokered private placement securities where the Manager is involved in structuring the transaction and participates in more than 10% of the deal, the IRC requests that a notice be delivered to the committee that outlines the investment, but not the merits of the investments, and advises the committee that the investment has been reviewed for conflict of interest and that no conflict of interest exists.



## SCHEDULE A

Marret High Yield Strategies Fund  
Marret HYS Trust  
Marret Investment Grade Bond Fund  
Marret IGB Trust  
Marret Multi Strategy Income Fund  
Marret MSIF Trust