

ANNUAL INFORMATION FORM

March 28, 2013



MARRET HIGH YIELD STRATEGIES FUND

FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual information form (the “Annual Information Form”) constitute forward-looking statements.

Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, “projects” and similar forward-looking expressions or negative versions thereof.

In addition, any statement that may be made concerning future performance, strategies or prospects and possible future action by the fund is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general business environment, in each case assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable. Accordingly, current assumptions concerning future economic and other factors may prove to be incorrect at a future date.

Forward-looking statements are not guarantees of future performance and actual results or events could differ materially from those expressed or implied in any forward-looking statements made by the fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, such as interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government relations, unexpected judicial or regulatory proceedings and catastrophic events. We stress that the above mentioned list of important factors is not exhaustive. Some of these risks, uncertainties and the other factors are described in this document under the heading “Risk Factors”.

We encourage you to consider these and other factors carefully before making any investment decisions. Forward-looking statements should not be unduly relied upon. Further, you should be aware of the fact that the fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of this document, and that the forward-looking statements speak only to the date of this Annual Information Form.

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Name, Formation and History of the Fund

Marret High Yield Strategies Fund (the “**Fund**”) is a closed-end investment fund managed by Marret Asset Management Inc. (the “**Manager**”) pursuant to an agreement dated May 28, 2009 between the Fund and the Manager (the “**Management Agreement**”). The head office of the Fund is located at 200 King Street West, Suite 1902, Toronto, Ontario, M5H 3T4. The Fund was established under the laws of the Province of Ontario pursuant a declaration of trust dated as of May 28, 2009, as it may be amended from time to time (the “**Declaration of Trust**”). The Fund closed its initial public offering on June 17, 2009 with the placement of 21,500,000 units of the Fund (the “**Units**”) to holders of units of the Fund (the “**Unitholders**”) at \$10.00 per Unit for gross proceeds of \$215,000,000.

Subsequent to the initial public offering, the Fund held additional offerings on the following dates:

- (a) June 30, 2010, the Fund issued an additional 1,230,000 Units at \$10.00 per Unit for gross proceeds of \$12,300,000;
- (b) October 7, 2010, the Fund issued 14,800,000 Units at \$11.15 per Unit for gross proceeds of \$165,020,000;
- (c) October 18, 2010, the Fund issued an additional 866,109 Units at \$11.15 per Unit for gross proceeds of \$9,657,115;
- (d) September 11, 2011, the Fund issued 18,500,000 Units at \$11.05 per Unit for gross proceeds of \$204,425,000;
- (e) September 7, 2011, the Fund issued 18,500,000 Units at \$11.05 per Unit for gross proceeds of \$204,425,000;
- (f) September 16, 2011, the Fund issued 2,775,000 units \$11.05 per unit for gross proceeds of \$30,663,750;
- (g) February 21, 2012, the Fund issued 19,800,000 Units at \$10.65 per Unit for gross proceeds of \$210,870,000;
- (h) February 28, 2012, the Fund issued an additional 1,285,000 Units at \$10.65 per Unit for gross proceeds of \$13,685,250; and
- (i) February 28, 2013, the Fund completed a private placement offering of Units for gross proceeds of \$8,220,200.80.

Pursuant to the Declaration of Trust, Equity Financial Trust Company has been appointed the trustee of the Fund (the “**Trustee**”). The Units trade on the Toronto Stock Exchange (the “**TSX**”) under the symbol MHY.UN. Through a forward agreement dated June 17, 2009 (the “**Forward Agreement**”) between the Fund and the Bank of Nova Scotia (the “**Counterparty**”), the Fund is exposed to a portfolio of securities (the “**Portfolio**”) held by Marret HYS Trust (the “**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 in Canada (collectively, "**High Yield Debt**"). The Counterparty has agreed to pay the Fund on May 30, 2014 (the "**Termination Date**") the economic return provided by the Portfolio. The Portfolio is managed by the Manager.

Investment Objectives and Restrictions

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation. The Fund is subject to certain other requirements and restrictions contained in applicable securities laws, including National Instrument 81-106 - *Investment Fund Continuous Disclosure* ("**NI 81-106**"), which governs the continuous disclosure obligations of investment funds, such as the Fund.

The Fund also relies on an independent review committee ("**IRC**") to carry out those responsibilities required to be undertaken pursuant to National Instrument 81-107 - *Independent Review Committee for Investment Funds* ("**NI 81-107**"), including reviewing each conflict of interest matter referred by the Manager to the IRC for its recommendation or approval, conducting regular assessments as required by NI 81-107 and reporting to the holders of Units (the "**Unitholders**") and the Manager on at least an annual basis, as required by NI 81-107

Pursuant to an exemption order dated May 29, 2009 issued by the Ontario Securities Commission as principal regulator for the Fund, the Fund was granted an exemption from the requirement in section 14.2(3)(b) of NI 81-106 that the net asset value of an investment fund must be calculated at least once every business day if the investment fund uses specified derivatives. At a minimum, the net asset value of the Fund will be calculated each week on Thursday, or if any Thursday is not a "**Business Day**" (any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading), the immediately preceding Business Day, and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the net asset value per Unit. The Fund will make available the net asset value per Unit to the financial press for publication on a weekly basis. Such amount will also be available on the Manager's website at www.marret.com.

The Fund has obtained the approval of the Fund's IRC and the relevant requirements of NI 81-107 to vary the restrictions contained in applicable securities legislation that otherwise prohibit an investment fund from purchasing or selling securities from or to another investment fund managed by the Manager.

Investment Objectives

The Fund was created to achieve the following investment objectives (the "**Investment Objectives**") as set out in the Declaration of Trust: (i) to maximize total returns for Unitholders, consisting of both tax-advantaged distributions and capital appreciation and reducing risk; and (ii) to provide Unitholders with attractive monthly tax advantaged distributions, initially targeted to be 8.00% per annum on the original issue price of \$10.00 per Unit by obtaining exposure to the Portfolio, which is focused primarily on High Yield Debt. To achieve exposure to the Portfolio, the Fund entered into the Forward Agreement with the Counterparty. The

Fund pre-paid in cash or in kind its purchase obligations under the Forward Agreement, and the Counterparty agreed to deliver to the Fund on the Termination Date (or earlier in whole or in part at the request of the Fund) a specified portfolio of TSX-listed Canadian public issuers that are “Canadian securities” (the “**Canadian Securities Portfolio**”) as defined in the *Income Tax Act* (Canada) (the “**Tax Act**”) with an aggregate value equal to the redemption proceeds of the relevant number of units of the Trust, net of any amount owing by the Fund to the Counterparty.

The return to Unitholders is dependent on the return of the Portfolio pursuant to the Forward Agreement. As a result, this Annual Information Form includes discussion of the Trust, where applicable.

Investment Restrictions

The Declaration of Trust requires that investments of the Fund be made in accordance with the Investment Objectives and subject to the investment restrictions (the “**Investment Restrictions**”) set out in the Declaration of Trust. Any change in the Investment Objectives or Investment Restrictions may only be undertaken with the approval of the Unitholders by an extraordinary resolution passed by at least two-thirds of the votes cast at a meeting of Unitholders called for such purpose (an “**Extraordinary Resolution**”), unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by the applicable regulatory authorities from time to time.

Investment Restrictions - Tax Matters

The Fund is a “unit trust” and a “mutual fund trust” for the purposes of the Tax Act. On the basis that (i) the Units are listed on a “designated stock exchange” (which includes the TSX), as defined in the Tax Act, or (ii) the Fund is a “mutual fund trust” as such term is defined under the Tax Act and will continue to be a “mutual fund trust” at all times, Units of the Fund are qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (collectively, “**Registered Plans**”).

During the year ended December 31, 2012, the Fund did not deviate from the rules under the Tax Act that apply to the status of the Units as qualified investments within the meaning of the Tax Act for Registered Plans. Provided that the Units are listed on a designated stock exchange for the purposes of the Tax Act (which includes the TSX) or the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, the Units will continue to be qualified investments under the Tax Act for Registered Plans.

Units are not a prohibited investment under the Tax Act for a tax-free savings account, registered retirement savings plan or registered retirement income fund provided the holder of the tax-free savings account or the annuitant of the registered retirement savings plan or registered retirement income fund deals at arms’ length with the Fund, does not have a “significant interest” (within the meaning of the Tax Act) in the Fund, and does not have a “significant interest” (within the meaning of the Tax Act) in a corporation, partnership or trust

that does not deal at arm's length with the Fund. See "Canadian Federal Income Tax Considerations – Taxation of Registered Plans" regarding proposed amendments to the Tax Act dealing with "prohibited investments".

The Declaration of Trust sets out the Investment Restrictions to which the Fund is subject. These Investment Restrictions include restrictions relating to certain matters that arise out of provisions of the Tax Act, which provide that the Fund will not:

(a) with respect to the securities acquired pursuant to the Forward Agreement, purchase any securities other than "Canadian securities" for the purposes of the Tax Act;

(b) purchase the securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, the Fund would be required to make a take-over bid that is a "formal bid" for the purposes of applicable securities laws;

(c) make or hold any investment that would result in the Fund failing to qualify as a "mutual fund trust" for purposes of the Tax Act and will not acquire any property that would be "taxable Canadian property" of the Fund as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof); or

(d) make or hold any investment that would result in the Fund being subject to the tax for specified investment flow-through ("SIFT") trusts as provided for in section 122 of the Tax Act.

Investment Objective and Investment Restrictions of the Trust

The Trust was established for the purpose of acquiring and holding the Portfolio. The beneficial owner of all of the units of the Trust is the Counterparty or an affiliate of the Counterparty.

The Trust is subject to certain investment restrictions, which are set out in its declaration of trust dated May 28, 2009. The investment restrictions of the Trust provide that the Trust will not:

(a) have Net Short Exposure (meaning the quotient, expressed as a percentage, determined by dividing (i) the amount by which the absolute value of the aggregate short positions held by the Trust exceeds the value of the aggregate long positions in securities (excluding cash and cash equivalents) held by the Trust, by (ii) the net asset value of the Trust) exceeding 50% determined on a daily marked-to-market basis;

(b) have net exposure exceeding 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 net asset value of the Trust;

(c) make borrowings, including pursuant to a loan facility or by purchasing securities on margin, if, immediately following the borrowings, the aggregate amount borrowed would exceed 35% of the net asset value of the Trust;

(d) invest more than 10% of its net assets in the securities of any single issuer (as determined at the time of purchase), other than securities issued or guaranteed by the Government of Canada or of the United States or of a province, state or territory thereof;

(e) invest more than 10% of its net assets in illiquid securities (which for these purposes means securities the resale of which is restricted by a representation, undertaking or agreement by the Trust (or by the Trust's predecessor in title or by law));

(f) purchase the securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, the Trust would be required to make a take-over bid that is a "formal bid" for the purposes of applicable securities laws;

(g) with the exception of securities of the Trust's own issue, purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with Marret Asset Management Inc. ("**Marret**") or any of their respective affiliates, any officer, director or shareholder of any of them, any person, trust, firm or corporation managed by Marret or any of their respective affiliates or any firm or corporation in which any officer, director or shareholder of Marret may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless such transaction complies with NI 81-107;

(h) make or hold any investments in entities that would be "foreign affiliates" of the Trust for purposes of the Tax Act;

(i) make or hold any securities in any non-resident trusts, other than "exempt foreign trusts" as defined in proposed subsection 94(1) of the Tax Act as set forth in former Bill C-10, which was before the 2nd session of the 39th Parliament and as modified by the proposed amendments to the Tax Act released on August 27, 2010 (or pursuant to any amendments to such proposals, subsequent provisions enacted into law, or successor provisions thereto);

(j) at any time, hold any property that is a "non-portfolio property" for the purposes of the provisions of the Tax Act that apply to a SIFT trust, as that term is defined in section 122.1 of the Tax Act, and the unitholders of a SIFT trust (the "**SIFT Rules**"); or

(k) make or hold any investments that could require the Trust to include any material amount in its income pursuant to section 94.1 of the Tax Act, as modified by the limited enhancements described in the proposed amendments to the Tax Act released on August 27, 2010 (or pursuant to any amendments to such proposals, subsequent provisions as enacted into law, or successor provisions thereto).

In the event that the percentage restriction in paragraph (a) is exceeded, the Trust will sell Portfolio securities in an orderly manner and use the proceeds therefrom to reduce the outstanding short position.

The Forward Agreement

The Fund has used the net proceeds of its initial public offering as well as the net proceeds from its subsequent offerings, for the pre-payment of its purchase obligations under the Forward Agreement with the Counterparty. The Fund may also directly hold a small number of the same securities as are held in the Portfolio. Pursuant to the terms of the Forward Agreement, the Counterparty will deliver to the Fund, on or about the Termination Date, the Canadian Securities Portfolio with an aggregate value equal to the redemption proceeds of the relevant number of units of the Trust net of any amount owing by the Fund to the Counterparty. Under the terms of the Forward Agreement, the Fund and the Counterparty have agreed that the Counterparty's settlement obligations under the Forward Agreement will be discharged by physical delivery of the Canadian Securities Portfolio by the Counterparty to the Fund.

The terms of the Forward Agreement provide that the Forward Agreement may, in certain circumstances, be settled prior to the Termination Date at the request of the Fund. The Fund may settle the Forward Agreement in whole or in part prior to the Termination Date: (i) to fund monthly distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason. Pursuant to the terms of the Forward Agreement, the Counterparty will, in connection with a requested partial settlement, deliver to the Fund securities of certain of the issuers in the Canadian Securities Portfolio based on the partial settlement amount. It is intended that any capital gain or income realized by the Fund on the sale of such securities to fund a redemption will generally be allocated to the redeeming Unitholder.

The Forward Agreement may be terminated prior to the Termination Date in certain circumstances, including if an event of default or a termination event occurs with respect to the Fund or the Counterparty under the Forward Agreement.

The following constitute events of default under the Forward Agreement: (i) failure by a party to make a payment or perform an obligation when due under the Forward Agreement, which is not cured within any applicable grace period; (ii) a party makes a representation which is incorrect or misleading in any material respect; (iii) a party defaults in respect of a specified transaction having a value in excess of a specified threshold, which default is not cured within any applicable grace period; (iv) certain events related to the bankruptcy or insolvency of a party; and (v) a party consolidates, amalgamates or merges with or into, or transfers substantially all its assets to, another entity and the resulting, surviving or transferee entity fails to assume the obligations of such party under the Forward Agreement.

Termination events under the Forward Agreement include the following: (i) it becomes unlawful for a party to perform its obligations under, or comply with any material provisions of, the Forward Agreement; (ii) certain tax events occur which require a party to indemnify the other party in respect of certain taxes or reduce the amount that a party would otherwise have been entitled to receive under the Forward Agreement; (iii) failure of the Trust to comply with its governing documents; or (iv) certain regulatory, credit or legal events occur which affect a party.

The obligations of the Counterparty to the Fund under the Forward Agreement are determined by reference to the net asset value of the Trust which, in turn, is subject to the performance of the Portfolio. The Counterparty may hedge its exposure under the Forward Agreement to the economic performance of the Trust. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement. The Fund is fully exposed to the unsecured credit risk associated with the Counterparty in respect of the Forward Agreement.

If the Forward Agreement is terminated prior to the Termination Date for any reason, it is anticipated that the Forward Agreement will be settled by physical delivery of the Canadian Securities Portfolio by the Counterparty to the Fund after payment of any amounts owing to the Counterparty. In the event of a termination prior to the Termination Date, the Manager may, in its discretion, enter into a replacement forward agreement on terms satisfactory to the Manager in its sole discretion, or the Manager may terminate the Fund and may take such other action as it considers necessary under the circumstances.

Description of Securities Offered by the Fund

The beneficial interest in the net assets and net income of the Fund is divided into Units. The Fund is authorized to issue an unlimited number of Units. Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains, if any. On the redemption of Units, however, the Fund may in its sole discretion, designate payable to redeeming Unitholders, as part of the redemption price, any capital gains realized by the Fund in the taxation year in which the redemption occurred. On termination or liquidation of the Fund, the Unitholders of record are entitled to receive on a *pro rata* basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. Unitholders will have no voting rights in respect of securities held by the Fund.

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the *Securities Act* (Ontario), and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer in each of the provinces of Canada and it is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

Distributions

The Declaration of Trust provides that the Fund will make monthly distributions to Unitholders at the discretion of the Trustee, upon the advice of the Manager. The Fund paid an initial distribution of \$0.098 for Unitholders with record date July 31, 2009 and regular monthly cash distributions of \$0.067 per month until June 30, 2012 and \$0.05 thereafter. The Fund has made all its scheduled monthly distributions during the year ended December 31, 2012 paying \$0.067 per Unit until June 30, 2012 and \$0.05 thereafter (\$0.067 per Unit during the years ended December 31, 2010 and December 31, 2011, respectively). It is expected that monthly

distributions received by Unitholders will consist primarily of returns of capital (which are not immediately taxable, but which reduce the adjusted cost base of a Unitholder's Unit). See "Canadian Federal Income Tax Considerations".

Amendments to the Declaration of Trust

Except as provided below, the Declaration of Trust may only be amended by a resolution passed by at least a majority of the votes cast at a meeting of Unitholders (an "**Ordinary Resolution**") approved at a Unitholder meeting duly convened and held in accordance with the Declaration of Trust. The following matters may only be undertaken with the approval of Unitholders by an Extraordinary Resolution:

- (a) the removal of the Trustee or any of its affiliates as the trustee of the Fund;
- (b) any change in the Investment Objectives or Investment Restrictions unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (c) any material change in the Management Agreement or change in the Manager, other than a change in the Manager where the new manager is an affiliate of the Manager;
- (d) any increase in the management payable to the Manager by the Fund (the "**Management Fee**");
- (e) any amendment, modification or variation in the provisions or rights attaching to the Units;
- (f) any change in frequency of calculating net asset value per Unit to less often than weekly;
- (g) the issuance of additional Units, including any offering of rights, warrants or options to existing Unitholders to acquire Units, other than: (i) for net proceeds per Unit equal to or greater than 100% of the most recently calculated net asset value per Unit calculated prior to the entering into of the commitment by the subscriber to purchase such Units or prior to the offering, as the case may be; or (ii) by way of Unit distribution;
- (h) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course of business;
- (i) any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interest of the Unitholders or otherwise in accordance with the terms of the Declaration of Trust; and
- (j) any amendment to the above provisions except as permitted by the Declaration of Trust.

Notwithstanding the foregoing, the Trustee is entitled to amend the Declaration of Trust without the consent of, or notice to, the Unitholders, to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not in the opinion of the Manager adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;
- (d) maintain the status of the Fund as a “mutual fund trust” or, if applicable, a “registered investment” for the purposes of the Tax Act, or to respond to amendments to such Act or to the interpretation or administration thereof;
- (e) provide added protection or benefit to Unitholders; or
- (f) make such modifications as may be necessary or desirable in connection with the termination of the Forward Agreement prior to the Termination Date as a result of the termination of the Fund.

Termination of the Fund

The Units will be redeemed by the Fund for a cash amount equal to 100% of net asset value per Unit on the Termination Date. Prior to the Termination Date, the Manager may present a proposal to extend the term of the Fund for a further five year period, subject to approval of Unitholders at a meeting called for such purpose, provided that all Unitholders will be given a right to cause their Units to be redeemed on the Termination Date, regardless of whether they voted in favour of the term extension. In addition to such termination, the Declaration of Trust also provides that:

- (a) the Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders; and
- (b) the Manager may terminate the Fund in the event of an early termination of the Forward Agreement, provided that the Manager has given Unitholders notice of such termination at least 60 days in advance of such early termination.

In the event the Forward Agreement terminates prior to the termination of the Fund, the Fund may enter into a new forward agreement or amend the Declaration of Trust to permit the Fund to hold the securities that comprise the Portfolio directly. Although these actions do not require Unitholder approval, the Fund will provide at least 30 days notice to Unitholders of any such action by way of press release.

The Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders to do so. The Manager will provide at least 30 days prior notice of such termination to Unitholders by way of press release. Upon such a termination the Fund will pre-settle the Forward Agreement, liquidate the Canadian Securities Portfolio and distribute to Unitholders their *pro rata* portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for, and which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to the termination date, such unliquidated assets *in specie* rather than in cash, subject to compliance with any securities or other laws applicable to such distributions. Following such distribution, the Fund will be dissolved.

The Declaration of Trust provides that prior to the termination of the Fund, the Manager will dispose of all of its assets and will satisfy or make appropriate provision for all liabilities of the Fund. The Declaration of Trust provides that the Manager may, in its discretion and upon not less than 30 days prior written notice to the Unitholders, postpone any termination date by a period of up to 180 days if the Manager determines that it will be unable to convert all of its assets to cash prior to any termination date and the Manager determines that it would be in the best interests of the Unitholders to do so.

Valuation of Portfolio Securities

For reporting purposes other than financial statements, the net asset value of the Fund on a particular date will be equal to (i) the aggregate value of the assets of the Fund less (ii) the aggregate value of the liabilities of the Fund. The net asset value of Units on a particular date will be equal to the net asset value of the Fund, including an allocation of any net realized capital gains or other amounts payable to Unitholders on or before such date expressed in Canadian dollars at the applicable exchange rate on such date. The net asset value per Unit on any day will be obtained by dividing the net asset value of the Fund on such day by the number of Units then outstanding.

For the purpose of calculating net asset value of the Fund on a Valuation Date (as defined herein), the value of the aggregate assets, and any short positions, of the Fund on such Valuation Date will be determined as follows:

- (a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the value of the assets is being determined, and to be received) and interest accrued and not yet received shall be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable,

prepaid expense, distribution, dividend or other amount receivable (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the value of the assets is being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof will be deemed to be such value as the Manager determines to be the fair market value thereof;

(b) the value of any bonds, debentures, other debt obligations and short positions shall be valued by taking the average of the bid and ask prices quoted by a major dealer or recognized information provider in such securities at consistent times on a Valuation Date. Short term investments including notes and money market instruments shall be valued at cost plus accrued interest;

(c) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Manager) shall be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Manager such value does not reflect the value thereof and in which case the latest offer price or bid price shall be used), as at the Valuation Date on which the value of the assets is being determined, all as reported by any means in common use;

(d) the value of the Forward Agreement and any other forward contract will be the value that would be realized by the Fund if, on the date on which the value of the assets is being determined, the Forward Agreement or any other forward contract were closed out in accordance with its terms;

(e) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer or recognized information provider in such securities;

(f) the value of any security or other asset for which a market quotation is not readily available will be its fair value on the Valuation Date on which the value of the assets is being determined as determined by the Manager (generally the Manager will value such security at cost until there is a clear indication of an increase or decrease in value);

(g) any market price reported in currency other than Canadian dollars will be translated into Canadian currency at the rate of exchange available to the Fund from the Fund's custodian (the "**Custodian**") on the Valuation Date on which the value of the assets is being determined;

(h) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair value is determined to be appropriate by the Manager; and

(i) the value of any security or property to which, in the opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) will be the fair value thereof determined in good faith in such manner as the Manager from time to time adopts.

The net asset value per Unit is calculated in Canadian dollars in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The net asset value per Unit determined in accordance with the principles set out above may differ from net asset value per Unit determined under Canadian generally accepted accounting principles.

For the purposes of calculating the net asset value in connection with a redemption of Units, the value of the Forward Agreement will be determined on the basis of the net asset value of the Trust which will be determined on the basis that any bonds, debentures and other debt obligations that are owned by the Trust will be valued by taking the bid price on the Valuation Date and any short position of the Trust will be valued by taking the ask price on the Valuation Date. Such net asset value will be calculated on a fully diluted basis, if applicable.

Calculation of Net Asset Value

The Manager will calculate the net asset value per Unit as at the time at which trading closes on the TSX on each Valuation Date. The Manager has obtained discretionary relief from the applicable securities regulators to permit it to calculate net asset value per Unit only on each Valuation Date. At a minimum, the Valuation Date will be Thursday of each week, or if any Thursday is not a Business Day, the immediately preceding Business Day, and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the net asset value per Unit (each, a “**Valuation Date**”). The Fund will make available to the financial press for publication on a weekly basis, the net asset value per Unit. Such amount will also be available on the Manager’s website at www.marret.com.

Purchases of Fund Units

All of the currently issued and outstanding Units were issued in connection with the initial public offering of the Fund on June 17, 2009 and the additional offering of Units on October 7, 2010, October 18, 2010, September 7, 2011, September 16, 2011, February 21, 2012 and February 28, 2012, respectively. In addition, Units may be issued from time to time in the Manager’s discretion, subject to the terms of the Declaration of Trust; Units may not be issued for net proceeds per Unit less than the most recently calculated net asset value per Unit prior to the date of the setting of the subscription price by the Fund.

The Units are listed on the TSX under the symbol MHY.UN. Registration of interests in and transfers of Units are made only through the book-entry only system administered by CDS Clearing and Depository Service Inc. (“**CDS**”). Units must be purchased, converted, transferred and surrendered for redemption through a broker, dealer, bank or other financial institution or other person for whom, from time to time, CDS effects book entries for the book-entry only

Units deposited with CDS (a “**CDS Participant**”). All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, Unitholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder’s interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the book-entry only system administered by CDS, in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

Market Purchases

The Fund may, in its sole discretion, from time to time purchase, either in the open market or by invitation for tenders, Units for cancellation subject to applicable law and TSX requirements, based on the Manager’s assessment that such purchases are accretive to Unitholders, in all cases at a price per Unit not exceeding the most recently calculated net asset value per Unit immediately prior to the date of any such purchase of Units.

On May 8, 2012, the Manager announced a normal course issuer bid pursuant to which the Fund could purchase up to 8,074,890 Trust Units representing approximately 10% of the public float. The Trust Units may be purchased for cancellation commencing on May 10, 2012 through to May 9, 2013.

Upon payment by the Fund to a Unitholder of the purchase price of the Units, the Units so purchased shall be cancelled and the Fund shall be discharged from all liability to the Unitholder in respect of the Units so purchased except any liability to pay any distributions then declared but not yet paid.

Redemptions of Units

Annual Redemptions

Annual Conditional Redemption Right: Units may be redeemed at the option of Unitholders on the last Business Day in July of each year, commencing in July, 2011 (each, an “**Annual Redemption Date**”), 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 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

Units may be redeemed at the option of Unitholders on the second last Business Day of each month other than July in a year where the Annual Redemption Condition has been met (each, a “**Monthly Redemption Date**”), subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) 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 redemption will receive a redemption price equal to the lesser of (i) 94% of the weighted average trading price on the TSX for the immediately preceding 10 trading days (the “**Market Price**”) of a Unit and (ii) 100% of the Closing Market Price (as defined herein) of a Unit on the applicable Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs, being the “**Monthly Redemption Amount**”.

“**Closing Market Price**” in respect of a security on a Monthly Redemption Date means (i) the closing price of such security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed) if there was a trade on the Monthly Redemption Date and the market provides a closing price; (ii) the average of the highest and lowest prices of such security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed) if there was trading on the Monthly Redemption Date and the market provides only the highest and lowest prices of the security traded on a particular day; or (iii) the average of the last bid and the last asking prices of the security on the TSX on such Monthly Redemption Date (or such other stock exchange on which the security is listed) if there was not trading on the applicable Monthly Redemption Date.

Pre-Settling the Forward Agreement

The Fund may settle the Forward Agreement in whole or in part prior to the Termination Date in order to (i) fund monthly distributions on the Units; (ii) fund redemptions and repurchases of Units from time to time; (iii) fund operating expenses and other liabilities of the Fund; and (iv) for any other reason. The value of the Forward Agreement on a Monthly Redemption Date and, accordingly, the net asset value per Unit on a Monthly Redemption Date and the redemption price will be dependent upon the performance of the Trust and the net asset value of the Trust units.

Exercise of Redemption Right

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable notice date described above. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the Monthly Redemption Date deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the notice date described above.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder's intention to redeem Units, the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the Monthly Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that such withdrawal will not adversely affect the Fund. Any expense associated with the preparation and delivery of the redemption notice will be for the account of the Unitholder exercising the redemption privilege.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed will, for all purposes, be void and of no effect and the redemption privilege to which it relates will be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder's instructions will not give rise to any obligations or liability on the part of the Fund, the Trustee or the Manager to the CDS Participant or the Unitholder.

Suspension of Redemptions

The Fund may suspend the redemption of Units or payment of redemption proceeds (a) for the whole or any part of a period during which normal trading is suspended on one or more exchanges on which more than 50% of the securities included in the Canadian Securities Portfolio (by value) are listed and traded, and if the securities are not traded on any other exchange that represents a reasonable, practical alternative for the Fund or (b) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension, but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances all Unitholders will have, and will be advised that they have, the right to withdraw their requests for redemption. The suspension will terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official

rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager will be conclusive.

Responsibility for Fund Operations

Manager

The Declaration of Trust provides that that Trustee shall appoint or retain a manager to manage the business and affairs of the Fund. The Trustee has appointed the Manager as manager of the Fund pursuant to the terms of the Declaration of Trust and the Management Agreement.

Marret Asset Management Inc., the Manager has been subsisting under the laws of Ontario since November 14, 2000. Its head office is located at 200 King Street West, Suite 1902, Toronto, Ontario, M5H 3T4. Its telephone number is (416) 214-5800, its email address is investors@marret.com and its website address is www.marret.com.

Directors and Officers of the Manager

The board of directors of the Manager currently consists of three members. The name, municipality of residence and office with the Manager of each director and senior officer is set out below. The directors do not have a fixed term of office.

<u>Name and Municipality of Residence</u>	<u>Position with the Manager</u>
Barry Allan Toronto, Ontario	President, Chief Executive Officer, Chief Investment Officer, Chief Compliance Officer and Director
Hernal Sandhu Mississauga, Ontario	Vice President and Director
David Gluskin Toronto, Ontario	Vice President and Director
Marcus Spain, CA Markham, Ontario	Vice President and Chief Financial Officer
Dorothea Mell, CFA Toronto, Ontario	Vice President
Adrian Prenc, CFA, FRM Toronto, Ontario	Vice President
Peter Rizakos Toronto, Ontario	Vice President, General Counsel and Corporate Secretary

For a description of the principal occupations of the directors and officers of the Manager during the last five years, see "Responsibility for Fund Operations - Portfolio Advisor".

Duties and Services to be Provided by the Manager

Pursuant to the Declaration of Trust and the Management Agreement, the Manager has exclusive authority to manage the business and affairs of the Fund, to make all decisions regarding the business of the Fund and has authority to bind the Fund. The Manager may delegate certain of its powers to third parties at no additional cost to the Fund where, in the discretion of the Manager, it would be in the best interests of the Fund to do so.

The Manager is required to exercise its powers and perform its duties honestly, in good faith and in the best interests of the Fund and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust and Management Agreement provide that the Manager will not be liable in any way for any default, failure or defect of the assets of the Fund if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of willful misconduct, bad faith, negligence or breach of its duties or standard of care, diligence and skill. Among other restrictions imposed on the Manager, it may not dissolve the Fund or wind up the affairs of the Fund except if, in its opinion, it would be in the best interests of the Unitholders to terminate the Fund or otherwise in accordance with the provisions of the Declaration of Trust.

Under the terms of the Declaration of Trust and the Management Agreement, the Manager is responsible for providing, or causing to be provided, management, portfolio management and administrative services and facilities to the Fund, including, without limitation (a) entering into, on behalf of the Fund, the Forward Agreement and administering the Forward Agreement; (b) authorizing and paying expenses incurred on behalf of the Fund; (c) appointing the Custodian, registrar and transfer agent, auditors, legal counsel and other organizations or professionals serving the Fund; (d) providing office space and facilities; (e) preparing accounting, management and other reports, including such interim and annual reports to Unitholders, financial statements, tax reporting to Unitholders and income tax returns as may be required by applicable law; (f) monitoring the ability of the Fund to pay distributions; (g) communicating with Unitholders; (h) ensuring that the net asset value per Unit is calculated and published; (i) ensuring that the Fund complies with all regulatory requirements and applicable stock exchange listing rules and requirements; (j) calling meetings of Unitholders as required; and (k) providing such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund.

In consideration for these services, the Fund will pay to the Manager the Management Fee and reimburse the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Fund. See "Fees and Expenses – Management Fee". The Manager and each of its directors, officers, employees, consultants and agents are indemnified and will be reimbursed by the Fund to the fullest extent permitted by law against all liabilities and expenses (including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Fund, and counsel fees and disbursements on a solicitor and client basis) reasonably incurred in connection with the services provided to the Fund described herein or as a director, officer, employee, consultant or agent thereof, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such person may

hereafter be made a party by reason of being or having been the manager, the portfolio manager, trustee or a director, officer, employee, consultant or agent thereof, except for liabilities and expenses resulting from the person's willful misconduct, bad faith, negligence, breach of their duties or standard of care, diligence and skill or material breach or default of their obligations under the Declaration of Trust or Management Agreement.

Unless the Manager resigns or is removed as described below, the Manager will continue as manager until the termination of the Fund. The Manager may resign if the Fund is in breach or default of the provisions of the Declaration of Trust and the Management Agreement and, if capable of being cured, such breach or default has not been cured within 30 days notice of such breach or default to the Fund. The Manager is deemed to have resigned if the Manager becomes bankrupt or insolvent or in the event the Manager ceases to be resident in Canada for purposes of the Tax Act. The Manager may not be removed other than by an Extraordinary Resolution of the Unitholders. In the event the Manager is in material breach or default of the provisions of the Declaration of Trust and, if capable of being cured, such breach or default has not been cured within 30 days notice of such breach or default to the Manager, the Trustee shall give notice thereof to Unitholders and Unitholders may direct the Trustee by Ordinary Resolution to remove the Manager and appoint a successor Manager.

The services of the Manager and the officers and directors of the Manager are not exclusive to the Fund. The Manager and its affiliates and associates may, at any time, engage in any other activity including the administration of any other fund or trust.

Portfolio Advisor

The Manager is also the portfolio advisor to the Fund and the Trust. Pursuant to the Declaration of Trust and the Management Agreement, the Manager is responsible for executing the Fund's investment strategy, which includes entering into the Forward Agreement.

Barry Allan founded Marret in 2000 and leads the investment team. Mr. Allan has over 30 years of investment experience and spent the six years prior to founding Marret as a high yield portfolio manager at Altamira Management Ltd., a prominent employee-owned firm that was later sold to a Canadian chartered bank. Prior to Altamira Management Ltd., Mr. Allan was on the trading desks at Nesbitt Thompson and Company and a Canadian chartered bank.

Hernal Sandhu is the lead portfolio manager of all Marret's investment grade debt portfolio mandates, including the Marret Investment Grade Bond Fund. Mr. Sandhu joined Marret in 2009 and has over 30 years of experience in both domestic and international fixed income markets. Prior to joining Marret, Mr. Sandhu was Managing Director at BMO Capital Markets, where he was responsible for the global distribution of the firm's fixed income and money market products through offices in Toronto, Montreal, Vancouver, New York, London and Hong Kong. Prior to joining BMO Capital Markets, Mr. Sandhu had similar roles with Goldman Sachs and Citibank.

David Gluskin has over 40 years of investment experience has been on the leading edge of many developments in the fixed income markets in Canada. His experience includes 11 years as a bond trader at Nesbitt Thomson Inc. and 10 years as a high yield bond trader at Goldman

Sachs Canada Inc, where he was also the head of high yield trading and syndication. He has been with Marret since 2001.

Dorothea Mell, CFA is a portfolio manager with over 20 years investment experience, with most of that time specializing in the high yield debt market. She joined Marret in 2002 and currently focuses on the energy, utilities and gaming sectors. Prior to joining Marret, Ms. Mell oversaw the management of high yield assets at Altamira Management Ltd. Prior to joining Altamira Management Ltd., Dorothea was involved in the structuring, analysis, and investment of privately placed debt securities as a manager at MetLife.

Adrian Prenc, CFA, FRM, is a portfolio and risk manager with over 14 years investment experience. Prior to joining Marret as a credit analyst in 2002, Mr. Prenc spent 3 years with Altamira Management Ltd., initially as an investment specialist and eventually as a research analyst specializing in investment grade and high yield debt. Mr. Prenc has been key in developing Marret's investment and risk management tools and is involved in all aspects of the portfolio management process.

Gordon McKay, CFA, CBV, spent six years in the financial services industry, including three with Peritus I Asset Management, a Santa Barbara-based high yield corporate debt manager, prior to joining the Manager in 2009, as an analyst covering telecommunications and technology, homebuilders and hotels, food and beverage and transportation sectors.

Randy Steuart, CFA, B. Comm., is a graduate of the UBC Portfolio Management Foundation program and joined the Manager in 2007 as an analyst covering the retail, consumer products, healthcare, metals and mining sectors.

Eric Busslinger, CFA, joined the Manager in 2010 and spent the previous three years with RBC Capital Markets as a research associate covering the oil and gas industry. Prior to investment research, he worked in investment banking and global equities through RBC Capital Market's Generalist Program.

Marcus Spain, CA has over 10 years experience in the financial services industry with Canadian and international banks and other financial services companies. Before joining Marret in 2011, he worked with EFG Canada as Senior Vice President and Chief Operating Officer. Prior to EFG Canada, Mr. Spain worked with Unicredit Bank Cayman Islands Ltd. as Vice President, Chief Financial Officer. At Marret, Mr. Spain is responsible for managing the firm's finance activities.

Peter Rizakos has over 25 years experience as a securities lawyer and a senior executive in the Canadian investment industry in various capacities including as the general counsel and managing director of Altamira Investment Services Inc., a leading Canadian mutual fund company. Prior to his work at Altamira he practiced corporate and securities law in Toronto with Blakes, where he also articulated. He received his LLB from Osgoode Hall Law School in Toronto and an MBA from INSEAD in Fontainebleau, France. He is a member of the Law Society of Upper Canada.

Marret's investment team includes the following credit analysts:

<u>Name</u>	<u>Industry Specialization</u>
David Gluskin	Special Situations
Dorothea Mell, CFA	Energy, utilities and gaming
Adrian Prenc, CFA, FRM	Industrial products, basic materials and automotive
Gordon McKay, CFA, FRM	Telecommunications and technology, homebuilders and hotels, food and beverage and transportation
Randy Steuart, CFA	Retail, consumer products, healthcare, metals and mining
Eric Busslinger, CFA	Energy and energy services

The investment decisions made by these individuals are not subject to the oversight, approval or ratification of any committee of the Fund. The names and municipalities of residence of the officers of the Manager who will be principally involved in providing the Manager's portfolio advisory services to the Fund, are set out under "Responsibility for Fund Operations - Manager - Directors and Officers of the Manager".

Brokerage Arrangements

The Manager is responsible for selecting members of securities exchanges, brokers and investment dealers for the execution of transactions in respect of the Fund's investments and, when applicable, the negotiation of commissions in connection therewith. The Fund is responsible to pay those commissions.

The Manager's allocation of brokerage business to companies, including those that furnish statistical, research or other services to the Fund, is based on decisions made by the portfolio managers, analysts and traders of the Manager and will only be made in compliance with applicable law and in accordance with the Manager's policies and procedures. The allocation of business among brokers is based on a number of factors, including: (i) the nature and character of the security or instrument being traded and the markets in which it is purchased or sold; (ii) the desired timing of the transaction; (iii) the Manager's knowledge of the expected commission rates and spreads currently available; (iv) the activity existing and expected in the market for the particular security or instrument; (v) the full range of brokerage services provided; (vi) the broker's or dealer's capital strength and stability, as well as its execution, clearance and settlement capabilities; (vii) the quality of research and research services provided; (viii) the reasonableness of the commission or its equivalent for the specific transaction; and (ix) the Manager's knowledge of any actual or apparent operational problems of a broker or dealer.

During the year, certain companies provided investment decision-making services to the Manager. These included access to news wire services, real time and historical data, analyses and reports concerning various securities, company-specific research and opinions, quantitative and fundamental analyses, as well as trade execution and analyses through traditional and electronic trading platforms. Specifically, a portion of the commissions generated through Merrill Lynch Canada Inc. are used to pay for services provided to the Manager by Bloomberg Financial Markets, NYSE, Dow Jones and TMX data feeds.

The name of any dealer or third party that provides research and/or order execution goods and services through a brokerage arrangement to the Manager and its advisors or sub-advisors on

behalf of the Fund will be provided upon request by contacting the Manager at (416) 214-5800 or at email investors@marret.com.

Trustee

Pursuant to the Declaration of Trust, Equity Financial Trust Company has been appointed the trustee of the Fund. The Trustee is responsible for certain aspects of the administration of the Fund as described in the Declaration of Trust. The address of the Trustee is 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1.

The Trustee or any successor trustee may resign upon 90 days written notice to the Manager or may be removed by an Extraordinary Resolution passed at a meeting of Unitholders called for such purpose. The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases where the Trustee fails to act honestly and in good faith with a view to the best interests of the Fund or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee is entitled to receive fees from the Fund as described under “Fees and Expenses – Ongoing Expenses of the Fund” and to be reimbursed by the Fund for all expenses which are reasonably incurred by the Trustee in connection with the activities of the Fund.

Custodian

The Custodian is responsible for safekeeping of all the investments and other assets of the Fund and the Trust delivered to it (but not those assets of the Fund or the Trust not directly controlled or held by the Custodian, as the case may be). The Custodian may employ sub-custodians as considered appropriate in the circumstances. Subject to certain exemptions as set out in the Custodian Agreement, the Custodian is not responsible for any ongoing assessment, adequacy or monitoring of or any liability for any loan or credit facility or any liability for holding or controlling any property of the Fund or the Trust pledged to a counterparty and not directly held by the Custodian. The Manager may terminate the Custodian Agreement immediately, if the Custodian party becomes insolvent, or makes an assignment for the benefit of creditors, or a petition in bankruptcy is filed by or against the Custodian and is not discharged within thirty (30) days, or proceedings for the appointment of a receiver for that party are commenced and not discontinued within thirty (30) days.

Auditor

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Accountants, at Suite 3000, Royal Trust Tower, Toronto-Dominion Centre, 77 King Street West, Toronto, Ontario M5K 1G8.

Transfer Agent and Registrar

Computershare Investor Services Inc. acts as transfer agent and registrar for the Units and maintains the securities register of the Fund at its office in Toronto, Ontario.

Promoter

The Manager may be considered a promoter of the Fund by reason of its initiative in forming and establishing the Fund and taking the steps necessary for the public distribution of the Units. The Manager will not receive any benefits, directly or indirectly, from the issuance of Units offered hereunder other than amounts paid to the Manager as described under “Fees and Expenses”.

Responsibility for Trust Operations

Marret HYS Trust

Marret HYS Trust is an investment trust established May 28, 2009 pursuant to a declaration of trust for the purpose of acquiring the Portfolio. The Trustee of the Trust is Marret Asset Management Inc.

The Trust is authorized to issue an unlimited number of transferable, redeemable units, each of which represents an equal, undivided interest in the net assets of the Trust. Each unit of the Trust entitles a holder thereof to the same rights and obligations as a holder of any other unit of the Trust and no unitholder of the Trust is entitled to any privilege, priority or preference in relation to any other unitholder. Each unitholder of the Trust is entitled to one vote for each the Trust unit held and is entitled to participate equally with respect to any and all distributions made by the Trust. On termination of the Trust, all of the Trust unitholders of record holding outstanding Trust units will be entitled to receive any assets of the Trust remaining after payment of all debts, liabilities and liquidation expenses of the Trust. All holders of units of the Trust must be residents of Canada for purposes of the Tax Act.

Duties and Services to be Provided by the Manager

Pursuant to the Marret HYS Declaration of Trust and the Marret HYS Management Agreement, which is incorporated by reference into the Marret HYS Declaration of Trust while Marret is both trustee and manager, as the trustee and manager, Marret has exclusive authority to manage the business and affairs of the Trust, to make all decisions regarding the business of the Trust and has authority to bind the Trust. Marret may delegate certain of its powers to third parties at no additional cost to the Trust where, in the discretion of Marret, it would be in the best interests of the Trust to do so. Marret will acquire the securities of the issuers that comprise the Portfolio and will manage the Portfolio, subject to the investment restrictions of the Trust.

As manager, Marret is required to exercise its powers and perform its duties honestly, in good faith and in the best interests of the Trust and to exercise the care, diligence and skill that a reasonably prudent manager would exercise in comparable circumstances. The Marret HYS Declaration of Trust and Marret HYS Management Agreement provide that Marret will not be liable in any way for any default, failure or defect of the assets of the Trust or the Portfolio if it

has satisfied the duties and the standard of care, diligence and skill set forth above. Marret will incur liability, however, in cases of willful misconduct, bad faith, negligence or breach of its duties or standard of care, diligence and skill. Among other restrictions imposed on Marret, it may not dissolve the Trust or wind up the affairs of the Trust except if, in its opinion, it would be in the best interests of the unitholders of the Trust to terminate the Trust or otherwise in accordance with the provisions of its declaration of trust.

Under the terms of the Trust's declaration of trust and the Trust's Management Agreement, Marret is responsible for providing, or causing to be provided, management, portfolio management and administrative services and facilities to the Trust, including, without limitation (a) authorizing and paying expenses incurred on behalf of the Trust; (b) appointing the Custodian, Prime Broker, auditors, legal counsel and other organizations or professionals serving the Trust; (c) providing office space and facilities; (d) preparing accounting, management and other reports, including such interim and annual reports to unitholders, financial statements, tax reporting to unitholders and income tax returns as may be required by applicable law; (e) monitoring the ability of the Trust to pay distributions; (f) communicating with unitholders; (g) ensuring that the net asset value per unit is calculated; (h) ensuring that the Trust complies with all regulatory requirements; (i) calling meetings of unitholders as required; and (j) providing such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Trust.

In consideration for these services, the Trust will pay to Marret the Trust Management Fee and reimburse Marret for all reasonable costs and expenses incurred by Marret on behalf of the Trust. See "Fees and Expenses – Marret HYS Trust Management Fee". Marret and each of its directors, officers, employees, consultants and agents will be indemnified and will be reimbursed by the Trust to the fullest extent permitted by law against all liabilities and expenses (including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Trust, and counsel fees and disbursements on a solicitor and client basis) reasonably incurred in connection with the services provided to the Trust described herein or as a director, officer, employee, consultant or agent thereof, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such person may hereafter be made a party by reason of being or having been the manager, the portfolio manager, trustee or a director, officer, employee, consultant or agent thereof, except for liabilities and expenses resulting from the person's willful misconduct, bad faith, negligence, breach of their duties or standard of care, diligence and skill or material breach or default of their obligations under the Marret HYS Declaration of Trust.

Unless Marret resigns or is removed as described below, Marret will continue as manager until the termination of the Trust. Marret may resign if the Trust is in breach or default of the provisions of the Trust's declaration of trust and the Trust's Management Agreement and, if capable of being cured, such breach or default has not been cured within 30 days notice of such breach or default to the Trust. Marret is deemed to have resigned if Marret becomes bankrupt or insolvent or in the event Marret ceases to be resident in Canada for purposes of the Tax Act. Marret may not be removed other than by an Extraordinary Resolution of the unitholders of the Trust. In the event Marret is in material breach or default of the provisions of the Marret HYS Declaration of Trust and, if capable of being cured, such breach or default has not been cured within 30 days notice of such breach or default to Marret, the Trustee of the Trust shall give

notice thereof to unitholders and unitholders may direct the Trustee of the Trust by Ordinary Resolution to remove Marret and appoint a successor manager.

The services of Marret and the officers and directors of Marret are not exclusive to the Trust. Marret and its affiliates and associates may, at any time, engage in any other activity including the administration of any other fund or trust.

The Trustee

Marret is the trustee of the Trust. The Trustee of the Trust is responsible for certain aspects of the administration of the Trust as described in the Trust's declaration of trust. The address of the Trustee of the Trust is 200 King Street West, Suite 1902, Toronto, Ontario M5H 3T4.

The Trustee of the Trust or any successor trustee may resign upon 90 days written notice to Marret as manager or may be removed by an Extraordinary Resolution passed at a meeting of unitholders called for such purpose. Any such resignation or removal will become effective only on the appointment of a successor trustee. If, after notice of resignation has been received from the Trustee of the Trust, no successor has been appointed within 90 days of such notice, the Trustee of the Trust, Marret or any unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee.

The Trust's declaration of trust provides that the Trustee of the Trust will not be liable in carrying out its duties under the Marret HYS Declaration of Trust except in cases where the Trustee of the Trust fails to act honestly and in good faith with a view to the best interests of the Trust or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Trust's declaration of trust contains other customary provisions limiting the liability of the Trustee of the Trust and indemnifying the Trustee of the Trust in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee of the Trust is not entitled to receive fees from the Trust so long as the Trustee is also the manager of the Trust as described under "Fees and Expenses" and to be reimbursed by the Trust for all expenses which are reasonably incurred by the Trustee of the Trust in connection with the activities of the Trust.

Conflicts of Interest

Principal Unitholders

To the knowledge of the Fund, as of March 26, 2013, no person or company owned, directly or indirectly, more than 10% of the Units of the Fund.

As at March 26, 2013, Barry Allan, beneficially owned, directly or indirectly, 74% (7,400 common shares) of the outstanding shares of the Manager. As at March 26, 2013, the directors and senior officers of the Manager owned, directly or indirectly, in aggregate, 96% (9,600 common shares) of the outstanding shares of the Manager. As at March 26, 2013, the directors and senior officers of the Manager, as a group, beneficially owned, directly or indirectly, less

than one percent of the outstanding Units of the Fund. As of March 26, 2013, the directors and senior officers of the Manager owned, directly or indirectly, in aggregate, less than 1% of the outstanding common shares of the Bank of Nova Scotia.

Securities Held by Members of the Independent Review Committee

As of March 26, 2013, the members of the IRC did not own, directly or indirectly, any securities in the Manager or any Units of the Fund. Further, as at March 26, 2013, the percentage of securities in any person or company that provides services to the Fund or the Manager, beneficially owned, directly or indirectly, in aggregate, by all IRC members of the Fund is less than 1%.

Conflicts of Interest

The directors and officers of the Manager may be directors, officers, shareholders or unitholders of one or more issuers in which the Fund or the Trust may acquire securities. The Manager and its affiliates or associates may be managers or portfolio managers of one or more issuers in which the Fund or the Trust may acquire securities and may be managers or portfolio managers of funds that invest in the same securities as the Fund or the Trust. The Declaration of Trust acknowledges that the Trustee may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm's length for comparable services.

The services of Marret are not exclusive to the Fund or to the Trust. Marret and its affiliates and associates (as defined in the *Securities Act* (Ontario)) may, at any time, engage in the promotion or management of any other fund, trust or investment portfolio. Marret may in the future act as the manager or investment advisor to other funds and companies and may in the future act as the manager or investment advisor to other funds which invest in debt securities and which are considered competitors of the Fund or the Trust. Since Marret will continue to manage the investments of its other clients, Marret may acquire or dispose of the same investment for the Trust and for one or more of its other clients. However, because of the different investment policies, Marret may be selling an investment for one client and buying the same investment for another client. Under the Trust's management agreement, Marret has agreed to allocate opportunities to acquire and dispose of investments fairly among the Trust and its other clients.

The primary consideration in all portfolio transactions will be prompt execution of orders in an efficient manner at the most favourable price. In selecting and monitoring dealers, Marret considers the dealer's reliability, the quality of its execution services on a continuing basis and its financial condition. When more than one dealer is believed to meet these criteria, preference may be given to dealers who provide research or statistical material or other services to the Trust or to Marret or its affiliates. This allows Marret to supplement their own investment research activities and obtain the views and information of others prior to making investment decisions.

Fund Governance

Independent Review Committee

The Manager has appointed the following members to its IRC, which will also act as the IRC for the Fund and Trust.

John Anderson: Mr. Anderson has over 30 years of financial and corporate governance experience including 14 years as a partner at Ernst & Young from 1979 to 1993. Mr. Anderson is currently the chief financial officer of each of TriNorth Capital Inc. and LPBP Inc. and was formerly chief financial officer of Impax Energy Services Income Trust and Tailwind Financial Inc. Mr. Anderson currently serves on the Board of NeuLion Inc. as lead director and chair of both the audit and governance committees. Mr. Anderson was formerly chairman of the board of governors of Ridley College, and director and chair of the audit committee for Canadian Medical Discoveries Fund Inc.

Ronald Riley: Mr. Riley was a Vice-President of National Bank Financial Inc. Prior to 1995, Mr. Riley was a Vice-President of J.D. Mack Limited, a Halifax-based investment dealer. From 1986 to 1991, Mr. Riley served as President and CEO of Calvin Bullock Ltd., a mutual fund company, following a twenty-five year career with Canadian Pacific Limited in which he held a series of positions of progressive responsibility including Operating General Manager, Director, Corporate Planning, Vice-President Transport and Telecommunications, Vice-President Administration and Vice-President Corporate. Mr. Riley holds a B. Eng. (Mechanical) from McGill University and an M.B.A. from Wharton Graduate School, University of Pennsylvania. He is a director of the McGill University Hospital Center Foundation, the Montreal Children's Hospital Foundation, Optimum Société d'Assurance Inc. and Optimum Assurance Agricole Inc.

Ross MacKinnon: Mr. MacKinnon was Director of Financial Markets with the Bank of Canada from February 2000 until February 2009. He began employment with Nesbitt Burns in February 1985 and held the position of Senior Vice President and Director from September 1987 until June 1999. Mr. MacKinnon received an Honours Business Administration degree from the University of Western Ontario in 1972.

The mandate and responsibilities of the IRC are set out in its charter. The IRC is responsible for carrying out those responsibilities required to be undertaken pursuant to NI 81-107, including reviewing each conflict of interest matter referred by the Manager to the IRC for its recommendation or approval, conducting regular assessments as required by NI 81-107 and reporting to the Unitholders and Manager on at least an annual basis, as required by NI 81-107.

The IRC will prepare a report, at least annually, of its activities for Unitholders which will be available on the Manager's website at www.marret.com, or at the Unitholder's request at no cost, by contacting the Manager at 416-214-5800.

General

The Manager is responsible for the governance of the Fund. Please see "*Directors and Officers of the Manager*" herein for information regarding members of the Manager's board of directors.

Fund governance refers to the policies, practices and guidelines of the Fund that relates to business practices, sales practices and internal conflicts of interest.

The board of directors of the Manager has established appropriate policies, practices and guidelines relating to the business practices, sales practices, risk management controls and internal conflicts of interest as more fully described below.

Derivatives

The Trust may invest in or use derivative instruments, other than commodity derivatives, for hedging or investment purposes consistent with its investment objectives and subject to the investment restrictions of the Trust, including the restriction on net exposure.

The risks of using these strategies are described under “*Use of Derivatives*” on page 26 of the Fund’s prospectus dated May 28, 2009.

The board of directors of the Manager has adopted policies and practice guidelines applicable to the Fund to manage the risks associated with the use of derivative instruments. Such policies and practice guidelines require that:

- the use of derivative instruments be consistent with the Fund’s Investment Objectives and policies;
- the risks associated with the use of derivatives be adequately described in the Fund’s prospectus and other public disclosure documents;
- authorized officers or directors of the Manager approve the parameters, including trading limits, under which derivatives trading is to be permitted for the Fund and that such parameters comply with applicable securities legislation; and
- the operational, monitoring and reporting procedures in place ensure that all derivatives transactions are completely and accurately recorded, in accordance with their approved use, and within the limits and regulatory restrictions prescribed for the Fund.

These policies and practice guidelines are reviewed as necessary by the Chief Compliance Officer of the Manager.

Securities Lending and Similar Arrangements

The Trust does not currently, and has not in the past, engaged in securities lending arrangements.

In order to generate additional returns, the Trust may lend securities included in the Portfolio to securities borrowers acceptable to the Trust pursuant to the terms of a securities lending agreement between the Trust and such borrower. Under any such securities lending agreement: (i) the borrower will pay to the Trust a negotiated securities lending fee and will make compensatory payments to the Trust equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act; and (iii) the Trust will receive collateral security.

Proxy Voting Policies and Procedures

The Fund does not hold voting securities, but is exposed to securities held in the Portfolio by means of the Forward Agreement. The Manager is authorized to exercise all rights and privileges incidental to ownership for the Portfolio. The Trust has adopted the Manager's proxy voting policy (the "**Proxy Voting Policy**"), which provides general guidance, in compliance with applicable legislation, for the voting of proxies. In connection with any meeting at which the Trust as a holder of debt securities is entitled to vote, the Manager will retain a third party service provider to provide proxy analysis, vote recommendations and vote execution services on behalf of the Manager, all in accordance with the Proxy Voting Policy. However, the ultimate decision as to how to cast a vote rests with the Manager, based on what the Manager believes to be in the best interest of the Trust.

Marret's Proxy Voting Policy generally provides for voting in favour of management's recommendations, unless there are specific circumstances for voting against and/or the Manager believes that the Trust's best interests would be better served by voting against such recommendations. The Manager will also document the reasons for a decision to cast a proxy vote in a manner that deviates from any standing policy. The Proxy Voting Policy includes policies and procedures for dealing with non-routine matters, including corporate restructurings, mergers and acquisitions, proposals affecting security holder rights and executive compensation. These matters will usually be addressed on a case-by-case basis with a focus on the best interests of the Trust and the potential impact of the vote on the value of the Trust. The Proxy Voting Policy also includes policies and procedures for dealing with potential conflicts of interest, and if required, such matters will be referred to the IRC for final determination.

The policies and procedures that the Trust follows when voting proxies relating to the Portfolio will be available on request, at no cost, by calling collect 416-214-5800, or by writing to the Manager at 200 King Street West, Suite 1902, Toronto, Ontario M5H 3T4. The Trust's proxy voting record, if any, for the most recent period ended June 30 of each year is available free of charge to any Unitholder of the Fund upon request at any time after August 31 of that year and has been made available on the Manager's website at www.marret.com.

Short-Term Trading

The Units trade on the TSX, therefore the Manager does not have policies and procedures in place to monitor, detect and deter short-term trading.

Information and Reports to Unitholders

The Fund will deliver to Unitholders annual and interim financial statements of the Fund and other reports, in each case as from time to time are required by applicable law or applicable regulatory authorities.

Prior to any meeting of Unitholders, the Fund will provide to Unitholders, together with the notice of such meeting, all such information as is required by applicable law to be provided to such Unitholders.

Fees and Expenses

Fees and Expenses of the Fund

Management Fee

The Manager receives a Management Fee from the Fund equal to 0.25% per annum of the net asset value of the Fund, calculated and payable monthly in arrears, plus applicable taxes, plus 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.

Trustee Fee

The Trustee is entitled to receive a fee from the Fund, which fee is currently \$5,000 per annum, plus applicable taxes.

Counterparty Fees

The Fund pays to the Counterparty an additional purchase amount under the Forward Agreement, calculated daily and payable quarterly in arrears, of 0.25% per annum of the notional amount of the Forward Agreement (being effectively equal to the net asset value of the Trust).

Ongoing Expenses of the Fund

The Fund pays for all of its expenses incurred in connection with its operation and administration, estimated to be \$154,039 per annum. The Fund is also responsible for its costs of portfolio transactions and any extraordinary expenses that may be incurred from time to time.

Additional Services

Any arrangements for additional services between the Fund and the Manager, or any affiliate thereof, that have not been described herein will be on terms that are no less favourable to the Fund than those available from arm's length persons (within the meaning of the Tax Act) for comparable services. The Fund will pay all expenses associated with such additional services.

Fees and Expenses of the Manager

Service Fee

The Manager pays a service fee (the "**Service Fee**") in an amount comparable to the service amount, plus applicable taxes to brokers based on the number of Units held by clients of such brokers at the end of the relevant quarter.

Fees and Expenses of Marret HYS Trust

Marret HYS Trust Management Fee

Marret receives a Management Fee from the Trust equal to 0.75% of the net asset value of the Trust, calculated and payable monthly in arrears, plus applicable taxes. For as long as Marret is both the manager and trustee of the Trust, it is not entitled to receive any fees in addition to the the Trust management fee for its duties as trustee.

Performance Fee

Marret also receives, for each fiscal year of the Trust, a Performance Fee. The Performance Fee is calculated and accrues monthly and is paid annually. The amount of the Performance Fee is determined as of December 31 of each year (the “**Determination Date**”). The Performance Fee for a given year will be an amount for each unit of the Trust then outstanding equal to 15% of the amount by which the sum of (i) the net asset value of such unit (calculated 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. The Threshold Amount is the greater of (i) the net asset value per unit of the Trust immediately following the closing of the initial public offering on June 17, 2009, (ii) the net asset value per unit of the Trust on the Determination Date for the previous fiscal year (after payment of such Performance Fee); and (iii) the net asset value per unit of the Trust on the Determination Date in the last fiscal year in which a Performance Fee was paid (after payment of such Performance Fee).

Ongoing Expenses of Marret HYS Trust

The Trust pays for all of its expenses incurred in connection with its operation and administration, estimated to be \$110,000 per annum. The Trust will also be responsible for its costs of portfolio transactions and any extraordinary expenses that may be incurred from time to time.

Additional Services

Any arrangements for additional services between the Trust and Marret, or any affiliate thereof, that have not been described herein will be on terms that are no less favourable to the Trust than those available from arm’s length persons (within the meaning of the Tax Act) for comparable services the Trust will pay all expenses associated with such additional services.

Canadian Federal Income Tax Considerations

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm’s length with the Fund, and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or

more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is based on the assumptions that the Canadian Securities Portfolio will consist solely of “Canadian securities” for purposes of the Tax Act and that the Fund has elected in accordance with the Tax Act to have each of its Canadian securities treated as capital property.

This summary is based on the current provisions of the Tax Act, on an understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”), and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial, or foreign tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on a Unitholder’s particular circumstances, including the province or provinces in which the Unitholder resides or carries on business. This summary does not address the deductibility of interest on any funds borrowed by a Unitholder to purchase Units. **This summary is of a general nature only and is not intended to be legal or tax advice to any Unitholder. Unitholders should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.**

Status of the Fund

This summary is based on the assumptions that the Fund will qualify, at all times, as a “unit trust” and a “mutual fund trust” within the meaning of the Tax Act. To qualify as a mutual fund trust, the Fund must, among other things, comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units. In the event the Fund were not to qualify as a mutual fund trust under the Tax Act at any time, the income tax consequences described below would in some respects be materially and adversely different. Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, the Units will be qualified investments under the Tax Act for trusts governed by Registered Plans.

Taxation of the Fund

The Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amount paid or payable to Unitholders in the year. The Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its income, including its net realized capital gains, it will generally not be liable in such year for

income tax under Part I of the Tax Act, subject to the possible application of the SIFT Rules as discussed below.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (a "capital gains refund"). The capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of Canadian Securities Portfolio securities acquired by the Fund under the Forward Agreement in connection with a redemption of Units.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income in accordance with the detailed rules in the Tax Act. The Fund may deduct the costs and expenses of an offering of its Units paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days.

The Fund will not realize any income, gain or loss as a result of entering into, or increasing its exposure under, the Forward Agreement and no amount will be included in computing the Fund's income as a result of the acquisition of Canadian Securities Portfolio securities under the Forward Agreement. The cost to the Fund of such Canadian Securities Portfolio securities will be that portion of the aggregate amount paid by the Fund under the Forward Agreement attributable to such securities and any other costs of acquisition. Gains or losses realized by the Fund on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement will be taxed as capital gains or capital losses.

On October 31, 2003 the Department of Finance announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the Tax Proposals of October 31, 2003 would be released for comment. To date, no such alternative proposal has been released.

The Tax Act imposes tax on certain income earned by a SIFT trust. Provided the Fund complies with its investment restrictions, it will not be liable for tax pursuant to the SIFT Rules.

Taxation of Unitholders

Provided the Fund is not subject to SIFT Rules, a Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in

the taxation year. The non-taxable portion of the Fund's net realized capital gains paid or payable (whether in cash or in Units) to a Unitholder in a taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed gain. Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act.

On the disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholders' proceeds of disposition (net of any reasonable costs of disposition) exceed (or are less than) the adjusted cost base of the Unit. For the purpose of determining the adjusted cost base to a Unitholder of a Unit, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property that were acquired before that time. For this purpose, the cost of Units that have been issued as a distribution from the Fund will generally be equal to the amount of the net income or capital gain distributed to the Unitholder in Units.

One-half of any capital gain ("taxable capital gain") realized on the disposition of Units will be included in the Unitholder's income and one-half of any capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as net realized taxable capital gains or taxable capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

Taxation of Registered Plans

Amounts of income and capital gains distributed by the Fund to a Registered Plan are generally not taxable under Part I of the Tax Act while retained in the Registered Plan, provided that the Units are qualified investments under such a Registered Plan. Unitholders should consult with their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

Notwithstanding the foregoing, if the Units are "prohibited investments" for the purposes of a tax-free savings account ("TFSA"), registered retirement savings plan ("RRSP") or registered retirement income fund ("RRIF"), a Unitholder will be subject to a penalty tax as set out in the Tax Act. Units will generally not be a "prohibited investment" for trusts governed by a TFSA, RRSP or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, (i) does not deal at arm's length with the Fund for purposes of the Tax Act, (ii) has a "significant interest" as defined in the Tax Act in the Fund, or (iii) has a "significant interest" as defined in the Tax Act in a corporation, partnership or trust with which the Fund does not deal at arm's length for purposes of the Tax Act.

. A “significant interest”, in general terms, means the ownership of 10% or more of the value of the Fund’s outstanding units by the holder or annuitant, as the case may be, either alone or together with persons or partnerships with whom the holder or annuitant does not deal at arm’s length. Proposed amendments to the Tax Act released on December 21, 2012 (the “December 2012 Proposals”) propose to delete the condition in (iii) above. In addition, pursuant to the December 2012 Proposals, the Units will generally not be a “prohibited investment” if the Units are “excluded property” as defined in the December 2012 Proposals for trusts governed by a TFSA, RRSP or RRIF.

Unitholders are advised to consult their own tax advisors in regard to whether the Units would be prohibited investments, including with respect to whether the Units would be “excluded property” as defined in the December 2012 Proposals.

Taxation Implications of the Fund’s Distribution Policy

The net asset value per Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time the Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder’s share of income and gains of the Fund that accrued before the Units were acquired, notwithstanding that such amounts will have been reflected in the price paid by the Unitholder for the Units. Since the Fund makes monthly distributions, the consequences of acquiring Units late in a calendar year will generally depend on the amount of the monthly distributions throughout the year and whether an additional distribution is necessary late in the calendar year to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act.

Remuneration of Directors, Officers and Independent Review Committee Members

The officers of the Manager receive their remuneration from the Manager. The directors of the Manager do not receive any director fees. Compensation for members of the IRC in respect of the Fund is currently \$17,500 for the chair and \$15,000 per member per annum. The expenses of the directors of the Manager and the premiums for directors’ and officers’ insurance coverage for the directors and officers of the Manager are paid by the Manager. The fees and other reasonable expenses of members of the IRC, as well as premiums for insurance coverage for such members, are paid by the Fund and other applicable investment funds managed by the Manager on a pro rata basis. In addition, the Fund has agreed to indemnify the members of the IRC against certain liabilities. The total amount of the fees and expenses of the IRC members paid by the Fund for the year ended December 31, 2012 was \$21,183.33.

Remuneration of the Trustee

Pursuant to the Declaration of Trust, the Trustee is entitled to be paid a fee for services provided to the Fund as trustee of the Fund and to be reimbursed for all expenses which are reasonably incurred by the Trustee in that capacity. For the year ended December 31, 2012, the Trustee was paid an aggregate amount of \$5,488, on account of its fee and reimbursed in aggregate \$0 on account of expenses incurred by it in its capacity as trustee of the Fund.

Material Contracts

The only material contracts entered into by the Fund or the Manager, other than during the ordinary course of business, are as follows:

- (a) Declaration of Trust;
- (b) Management Agreement;
- (c) Custodian Agreement;
- (d) Forward Agreement.

Copies of the foregoing documents may be examined during normal business hours at the principal office of the Fund.

Legal and Administrative Proceedings

The Manager is not aware of any material ongoing, pending or threatened legal or administrative proceedings to which the Fund or the Manager are a party.

Risk Factors

Certain risk factors relating to the Fund, the Trust and the Units are described below. As a result of the Forward Agreement, Unitholders are exposed to risks relating to the Trust. Additional risks and uncertainties not currently known to the Manager, or that are currently considered immaterial, may also impair the operations of the Fund or the Trust. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of the Fund, and the ability of the Fund to make distributions on the Units, could be materially adversely affected.

No Assurance in Achieving Investment Objectives or Making Distributions

There is no assurance that the Fund or the Trust will be able to achieve their respective investment objectives. Furthermore, there is no assurance that the Fund will be able to pay distributions in the short or long term, nor is there any assurance that the net asset value of the Fund will appreciate or be preserved. By virtue of the Forward Agreement, changes in the relative weightings between the various types of securities making up the Portfolio can affect the overall yield to Unitholders.

Trading Price of Units

The Units may trade in the market at a discount to the net asset value per Unit and there can be no assurance that the Units will trade at a price equal to the net asset value per Unit.

Loss of Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

General Risks of Investing in Bonds

Generally, bonds will decrease in value when interest rates rise and increase in value when interest rates decline. The net asset value of the Trust will fluctuate with interest rate changes and the corresponding changes in the value of the securities in the Portfolio. The value of bonds is also affected by the risk of default in the payment of interest and principal and price changes due to such factors as general economic conditions and the issuer's creditworthiness. Corporate bonds may not pay interest or their issuers may default on their obligations to pay interest and/or principal amounts. Certain of the bonds that may be included in the Portfolio from time to time may be unsecured, which will increase the risk of loss in case of default or insolvency of the issuer. Global financial markets have experienced a significant repricing in recent months that has contributed to a reduction in liquidity and the availability of credit enhancing the likelihood of default by some issuers due to diminishing profitability or an inability to refinance existing debt.

Risks of Investing in High Yield Debt

High Yield Debt involves greater risks than investment grade debt, including risks of default in the payment of interest and principal, lower recovery rates on a bond that is in default and greater price changes due to such factors as general economic conditions and the issuer's creditworthiness. Such securities can be regarded as predominantly speculative, and involve certain risk exposure to adverse conditions and may be subject to substantial price volatility, especially during times of economic change. Lower rated debt may be less liquid than investment rated securities. During periods of thin trading, the spread between bid and ask prices is likely to increase significantly and the Manager may have difficulty selling such securities. There are no formal exchanges on which such High Yield Debt trades. Accordingly, there may be limited liquidity for holders of such High Yield Debt.

Fluctuation in Value of Portfolio Securities

The value of the Units will vary according to the value of the securities included in the Portfolio by virtue of the Forward Agreement. The value of the securities included in the Portfolio will be influenced by factors which are not within the control of the Trust or the Manager, including the financial performance of the respective issuers, operational risks relating to the specific business activities of the respective issuers, quality of assets owned by the respective issuers, commodity prices, risks associated with issuers operating outside of Canada, exchange rates, interest rates, environmental risks, political risks, issues relating to government regulation, credit markets and other financial market conditions. As a result of its exposure to the Portfolio, the Fund will also be subject to the risks inherent in investments in equity securities, including the risk that the financial condition of the issuers in which the Trust invests may become impaired or that the general condition of the stock markets may deteriorate. Equity securities

are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in, and perceptions of, the issuers change.

Recent Global Financial Developments

Global financial markets have experienced a sharp increase in volatility during recent months. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as global governments are attempting to restore liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not materially and adversely affect economies around the world in the near to medium term. Some of these economies may experience significantly diminished growth or a recession. These market conditions and unexpected volatility or illiquidity in financial markets may also adversely affect the prospects of the Trust and the value of the securities included in the Portfolio.

Use of Short Selling

Selling securities short may result in the loss of an amount greater than the amount invested since there is theoretically no limit to the price to which the securities that have been sold short may rise before the short position is closed out. In addition, the supply of securities which can be borrowed in order to maintain short positions fluctuates from time to time. There is no assurance that the lender of securities or financial instruments will not require the security to be repaid before the Manager wishes to do so, thereby requiring the Trust to borrow the security elsewhere or purchase the security in the market at an unattractive price. In addition, the borrowing of securities entails the payment of a borrowing fee. There is no assurance that any borrowing fee will not increase during the borrowing period, adding to the expense of a short sale strategy. In addition, there is no assurance that a security sold short can be repurchased due to supply and demand constraints in the marketplace.

Forward Agreement Counterparty Risk

The Forward Agreement, which is the sole material asset of the Fund, exposes the Fund to the unsecured credit risk associated with the Counterparty. The possibility exists that the Counterparty will default on its obligations under the Forward Agreement. The Counterparty has pledged collateral to the Fund with an aggregate value equal to 100% of the mark-to-market amount of the additional exposure to the Portfolio acquired by the Fund through the amendment to the Forward Agreement dated February 21, 2012 (the "Additional Exposure"). Should a bankruptcy or other similar event related to the Counterparty occur that precludes the Counterparty from performing its obligations under the Forward Agreement, the Fund would have to enforce its security interest in respect of the collateralized portion of the Forward Agreement and the Forward Agreement would be terminated. The Fund is subject to the unsecured credit risk of the Counterparty in respect of the Counterparty's obligations under the Forward Agreement that are not attributable to the Additional Exposure.

The Counterparty may have relationships with any or all of the issuers whose securities are included in the Portfolio which could conflict with the interests of the Fund. In addition, it is possible that the proceeds from the sale of Canadian securities acquired pursuant to the Forward Agreement will be used to satisfy other liabilities of the Fund, which liabilities could include obligations to third party creditors in the event the Fund has insufficient assets, excluding the proceeds from the sale of Canadian securities acquired pursuant to the Forward Agreement, to pay its liabilities. Unitholders will have no recourse or rights against the assets of the Trust or the Counterparty and the Counterparty is not responsible for the returns of the Portfolio

Composition of Portfolio

The composition of the securities included in the Portfolio taken as a whole may vary widely from time to time and may be concentrated by commodity, industry or geography, resulting in the securities included in the Portfolio being less diversified than anticipated. Overweighting investments in certain sectors or industries involves risk that the Trust will suffer a loss because of declines in the prices of securities in those sectors or industries.

Interest Rate Fluctuations

It is anticipated that the market price for the Units at any given time will be affected by the level of interest rates prevailing at such time by virtue of the Forward Agreement. A rise in interest rates may have a negative effect on the market price of the Units. Unitholders who wish to redeem or sell their Units may, therefore, be exposed to the risk that the redemption price or sale price of the Units will be negatively affected by interest rate fluctuations.

Illiquid Securities

There is no assurance that an adequate market will exist for the securities included in the Portfolio and it cannot be predicted whether the securities included in the Portfolio will trade at a discount to, a premium to, or at their respective par or net asset values.

Use of Derivatives

The Trust may invest in and use derivative instruments for hedging purposes to the extent considered appropriate by the Manager taking into account factors including transaction costs. There can be no assurance that the Trust's hedging strategies will be effective. The Trust is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by the Trust of margin deposits in the event of the bankruptcy of the dealer with whom the Trust has an open position in an option or futures or forward contract. Derivative instruments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in North American markets. The ability of the Trust to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If the Trust is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case

may be. The inability to close out options, futures and forward positions could also have an adverse impact on the Trust's ability to use derivative instruments to effectively hedge the Portfolio.

Use of a Prime Broker to Hold Assets

Some or all of the assets of the Trust may be held in one or more margin accounts due to the fact that the Trust will sell securities short. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. The prime broker may also lend, pledge or hypothecate the assets of the Trust in such accounts, which may result in a potential loss of such assets. As a result, the assets of the Trust could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the prime broker experiences financial difficulty. In such case, the Trust may experience losses due to insufficient assets of the prime broker to satisfy the claims of its creditors, and adverse market movements while its positions cannot be traded, and which would adversely affect the total return to the Fund.

Securities Lending

The Trust may engage in securities lending. Although the Trust will receive collateral for the loans and such collateral will be marked-to-market, the Trust will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral proves to be insufficient to reconstitute the portfolio of loaned securities.

Use of Leverage

The Trust may utilize a loan facility or other forms of leverage in order to implement its investment strategy. While leverage may increase the potential for total returns, it may also potentially increase losses. If income and appreciation on investments made with borrowed funds are less than the cost of leverage, the value of the Trust's net assets will decrease. Any event which adversely affects the value of an investment held by the Trust will be magnified to the extent leverage is employed. Many leveraged transactions involve the posting of collateral. Increases in the amount of margin or similar payments could result in the need for trading at times or prices that are disadvantageous to the Trust and which could result in a loss for the Trust.

Currency Exposure

As the Portfolio is invested in securities traded in United States dollars, the net asset value of the Fund, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the United States dollar relative to the Canadian dollar. The Trust may not be fully hedged at all times. Accordingly, no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could reduce total returns or

result in losses greater than if the hedging had not been used. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

Reliance on the Manager

The Manager will manage the portfolio held by the Trust in a manner consistent with the investment objectives and the investment restrictions of the Trust and is also the manager of the Fund and the Trust. The officers of the Manager who will be primarily responsible for the management of the Portfolio have extensive experience in managing investment portfolios, however, there is no certainty that such individuals, including Barry Allan, will continue to be employees of the Manager until the termination of the Trust.

Taxation of the Fund

In determining its income for tax purposes, the Fund will not treat the acquisition of Canadian Securities Portfolio securities under the Forward Agreement as a taxable event and will treat gains or losses on any disposition of Canadian Securities Portfolio securities acquired under the Forward Agreement as capital gains and capital losses for the purposes of the Tax Act. No advance income tax ruling has been requested or obtained from the CRA regarding the timing or characterization of the Fund's income, gains or losses. If, contrary to the advice of counsel to the Fund or as a result of a change of law, the acquisition of the Canadian Securities Portfolio securities under the Forward Agreement was a taxable event or if gains realized on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement were treated other than as capital gains on the sale of such securities, after-tax returns to Unitholders would be reduced.

On March 21, 2013, the Minister of Finance announced proposed measures (the "Character Conversion Budget Measures") which would affect certain tax benefits gained by taxable unitholders of investment funds, such as the Fund, that utilize forward purchase and sale agreements to obtain exposure to an underlying reference portfolio. The Manager is currently reviewing the implications of the Character Conversion Budget Measures to the Fund and will provide additional details to Unitholders as soon as it is in a position to do so.

On October 31, 2003 the Department of Finance (Canada) announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If the Tax Proposal were to apply to the Fund or the Trust, deductions that would otherwise reduce the Fund's or the Trust's taxable income could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace this Tax Proposal would be released for comment. No such alternative proposal has been received to date. There can be no assurance that such alternative proposal will not adversely affect the Fund.

Character Conversion Budget Measures

On March 21, 2013, the Minister of Finance announced proposed measures (the “Character Conversion Budget Measures”) which would affect certain tax benefits gained by taxable unitholders of investment funds, such as the Fund, that utilize forward purchase and sale agreements to obtain exposure to an underlying reference portfolio. The Manager is currently reviewing the implications of the Character Conversion Budget Measures to the Fund and will provide additional details to Unitholders as soon as it is in a position to do so.

Foreign Account Tax Compliance

The Foreign Account Tax Compliance provisions of the U.S. Hiring Incentive to Restore Employment Act (“FATCA”) generally impose a reporting and 30% withholding tax regime with respect to certain U.S. source income (including interest, dividends, and other types of passive income (“FDAP income”)) and gross proceeds from the sale or other disposition of property that can produce U.S. source interest or dividends (collectively referred to as “withholdable payments”) made by non-U.S. financial institutions. Under FATCA, unless the Fund enters into an agreement with the U.S. Internal Revenue Service (the “IRS”) pursuant to which it agrees to report to the IRS information regarding the U.S. holders of, and certain U.S. persons that indirectly hold interests in the Fund (other than equity and debt interests that are regularly traded on an established securities market), and to comply with other reporting, verification, due diligence and other procedures established by the IRS, the Fund will be subject to 30% withholding tax on FDAP income paid to it after December 31, 2013, and on the gross proceeds from the disposition of property that produces U.S.-source FDAP income paid to it after December 31, 2016. Obligations issued prior to January 1, 2014 are exempt from such withholding, unless such obligation is materially modified. If any interests in the Fund are not regularly traded on an established securities market, the Fund generally will be required to withhold 30% U.S. tax on a portion of the distributions that it makes to holders of such interests that fail to provide information requested by the Fund to comply with FATCA. It is expected that the Units will be regularly traded on an established securities market. In addition, regardless of whether Units are regularly traded on an established securities market, the Fund may be required to withhold U.S. tax on a portion of payments made by the Fund after December 31, 2016 to any non-U.S. financial institution (for example, a holder’s Canadian investment dealer) that has not entered into a FATCA agreement with the IRS, including any non-U.S. financial institution through which distributions on the Units are made or to a holder that fails to provide information requested by such non-U.S. financial institution to comply with FATCA. These rules may be modified if Canada and the United States enter into an inter-governmental agreement. Investors should consult their own tax advisors regarding the possible implications of this legislation on their investment and the entities through which they hold their investment.

No Ownership Interest

An investment in Units does not constitute an investment by Unitholders in the securities included in the Portfolio. Unitholders will not own the securities held by the Fund or the Trust by virtue of owning Units.

Changes in Legislation

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of mutual fund trusts under the Tax Act, will not be changed in a manner which adversely affects the Fund or Unitholders.

Conflicts of Interest – the Fund

The Manager and its directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Fund. Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund and the Manager.

Conflicts of Interest – the Trust

The Manager and its directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Trust. Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Trust, each director and officer of the Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Trust and the Manager.

Status of the Fund

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds.

Significant Redemptions

The purpose of the annual redemption right is to reduce the extent to which Units trade at a substantial discount and to provide investors with the right to eliminate entirely any trading discount once per year. While the redemption right provides investors the option of annual liquidity (commencing in July 2011) provided the Annual Redemption Condition is met, there can be no assurance that it will reduce trading discounts. Furthermore, if a substantial number of Units are redeemed, the number of Units outstanding could be significantly reduced with the effect of decreasing liquidity of the Units in the market. In addition, the expenses of the Fund would be spread among fewer Units resulting in a lower net asset value per Unit than if there were fewer redemptions. If, as a result of significant redemptions, the Manager determines that it is in the best interests of Unitholders to terminate the Fund, the Manager could terminate the Fund without Unitholder approval.

Other closed-end funds with annual redemption rights similar to the redemption rights in respect of the Units, although without the Annual Redemption Condition, have experienced significant redemptions on annual redemption dates in the past.

Not a Trust Company

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that statute or any other legislation.

Nature of Units

The Units are neither fixed income nor equity securities. The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

Other Material Information

On May 28, 2012, the Manager announced that the average net asset value of the Units of the Fund on the first four valuation dates occurring in May 2012 was \$9.91. As a result, the Annual Conditional Redemption Right applicable to the Units was triggered. Approximately, 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 30, 2012. Unitholders who tendered units for redemption received \$9.8164 per unit, 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 Fund’s Forward Agreement to fund the redemption.

Accounting Changes

The Canadian Accounting Standards Board (“AcSB”) confirmed that effective January 1, 2011, IFRS replaced current Canadian standards and interpretations as Canadian GAAP for publicly accountable enterprises, which includes investment funds. The deferral of the mandatory IFRS changeover for investment companies and the Adoption of IFRS for investment companies will not be mandatory until periods beginning on or after January 1, 2014. The deferral of the mandatory changeover was intended to allow the International Accounting Standard Board’s proposed exemption from consolidation for investment companies to be in place prior to the adoption of IFRS by investment companies in Canada.

In October 2012, the IASB approved the proposed amendments to IFRS 10 which define criteria for an entity to qualify as an investment entity and exempts such entity from consolidation requirements. The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with “Financial Instruments” (“IFRS 9”) and expand disclosures to help users evaluate the nature and financial effect of its investment activities. The amendment will be effective January 1, 2014. Based on the Manager’s assessment, the Fund currently meets the

proposed criteria for an investment entity and as such will be exempt from consolidation requirements.

The Manager has developed a plan to meet the timetable published by the CICA for the changeover to IFRS. The key elements of the plan include an assessment of: differences between Canadian GAAP and IFRS; changes required to financial statement disclosure; and, the impact on the financial reporting process.

Based on the Manager's assessment of the accounting differences between Canadian GAAP and IFRS, the following areas of differences were identified:

(a) IAS 32, "Financial Instruments; Disclosure and Presentation", requires puttable instruments to be classified as a liability unless certain conditions are met. The Funds' unitholders' equity meets the definition of a puttable instrument. The Manager has assessed the Funds' unitholder structure and has determined that liability treatment is the most appropriate classification.

(b) IFRS 13, Fair Value Measurements, was published in May 2011. The standard provides guidance on the measurement of fair value and allows for the use of closing market prices to value investments. Under Canadian GAAP the fair value of investments for financial statement reporting purposes, was required to be measured at closing bid price for long positions and closing ask price for short positions. The Manager has assessed the guidance that will apply under IFRS and has determined that the use of closing market prices is appropriate in valuing investments.

The Manager has presently determined that the impact of IFRS will also include additional note disclosure and modifications to existing presentation. The Manager does not expect that the trading net asset value or trading net asset value per unit will be impacted by the changeover to IFRS.

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Additional information about the Fund is available in the Fund's management report of fund performance and financial statements. You can get a copy of these documents at no cost by calling collect (416) 214-5800, or from your dealer or by e-mail at investors@marret.com. These documents and other information about the Fund, such as information circulars and material contracts, are also available on the Manager's website at www.marret.com or at www.SEDAR.com.