MARRET ASSET MANAGEMENT INC.

# MARRET HIGH YIELD STRATEGIES FUND

## 2013 Annual Management Report of Fund Performance

Caution regarding forward-looking statements

This document may contain forward-looking statements relating to anticipated future events, results, performance, decisions, circumstances, opportunities, risks or other matters. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "**may**", "**will**", "**should**", "**could**", "**expect**", "**anticipate**", "**intend**", "**plan**", "**believe**", or **estimate**" or other similar expressions. These statements require us to make assumptions and are subject to inherent risks and uncertainties. Our predictions and other forward-looking statements may not prove to be accurate, or a number of factors could cause actual events, results, performance, etc. to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. These factors could include, among others, market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the fund may invest, and the risks detailed from time to time in the fund's simplified prospectus. Forward-looking statements are not guarantees of future performance. For these reasons, it is important that readers do not place undue reliance on our forward-looking statements and should be aware that the Fund may not update any forward-looking statements whether as a result of new information, future events or otherwise.

# MARRET HIGH YIELD STRATEGIES FUND

*This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. You may obtain a copy of the annual financial statements at your request, and at no cost, by collect calling 416-214-5800, by sending a request to Investor Relations, Marret Asset Management Inc., 200 King Street West, Suite 1902, Toronto, ON  M5H 3T4, or by visiting our website at www.marret.com or the SEDAR website, at www.sedar.com.*

*You may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the Fund.*

# MANAGEMENT DISCUSSION OF FUND PERFORMANCE

## The Fund

Marret High Yield Strategies Fund (the "**Fund**") is a closed-end investment fund managed by Marret Asset Management Inc. ("**Marret**" or the "**Manager**"). The units of the Fund trade on the Toronto Stock Exchange under the symbol MHY.UN. Through a forward agreement (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 Portfolio is comprised primarily 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. The Counterparty has agreed to pay the Fund on May 30, 2014, the economic return provided by the Portfolio. The Portfolio is managed by the Manager.

## Investment Objective and Strategies

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

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

## Risk

Risks associated with an investment in the units of the Fund are discussed in the Fund's prospectus dated May 28, 2009 (the "**Prospectus**"), which is available on the Fund's website at www.marret.com or on SEDAR at www.sedar.com. There has been no change in the Fund's stated investment strategy, and no changes to the Fund during 2013 that have materially affected the risks associated with an investment in the units of the Fund except as noted under the Recent Developments section on page 3 in connection with the redemption of units and the Portfolio's illiquid holdings.

## Leverage

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

As indicated in the Fund's Prospectus, the net exposure of Marret HYS Trust will not exceed 135%, on a daily marked-to-market basis, with net exposure calculated as the value of long security positions, excluding cash and cash equivalents, minus the absolute value of short positions, divided by the net asset value of Marret HYS Trust. At December 31, 2013, the Portfolio's net exposure was 100.7% of the net asset value of Marret HYS Trust.

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

## Results of Operations from January 1, 2013 to December 31, 2013

While the fund realized only a small loss, it was a year where returns should have been positive even though we were overly conservative. After reviewing the fund's performance, our conclusions are as follows:

1. Our core portfolio was overly conservative – we avoided CCC credits which produced the highest returns and we overweighted shorter duration names while the 5-7 year area produced the best returns. Longer term issues were hurt by rising bond yields which we avoided. We also focused on large liquid issues whereas the extraordinary liquidity provided by the Fed favored smaller names.

2. We had two problem companies, DAVE (Mobilicity) and Cline Mining which reduced returns by approximately 2%. DAVE was a credit that we entered into on the premise that if the company did not execute well, we would be protected by being able to sell its valuable spectrum to Bell, Telus or Rogers. Unfortunately the Canadian government has refused approval for this backstop on anti-competition grounds and full recovery appears unlikely at this point. Cline Mining is a situation where we are a secured lender and essentially have become the Company's owner as restructuring proceeds. We have a number of comparables that support the value of the company, however capital for mining companies is very scarce at present and we see this as at least a year long workout even though markets are modestly improving.

3. We maintained macro hedges, hedged AAA corporate bonds and small positions in gold related securities that also reduced returns by approximately 2%. These were a component of our conservative positioning reflective of markets where risks well exceeded the fundamentals of weak economic growth in the US, potential for implosion in the Eurozone and political instability in the Middle East. Central bank policies overrode all of these risks and we did not recognize this impact quickly enough.

It is in our DNA to preserve capital first and foremost, but 2013 was a year where we did not balance capital preservation and generating solid risk adjusted returns. As we enter 2014, we see a year where volatility will increase and the potential for a policy mistake by the Federal Reserve increases as the tapering process unfolds. Having said that, economic growth is improving and fiscal drag is diminishing so fundamentals are finally improving. With this backdrop we are building a less conservative portfolio that is more diversified, with greater yield and with fewer macro hedges. The focus, as always, is on capital preservation and risk adjusted returns but balance is also essential.

Portfolio Outlook

For 2014, our broad macro review is centered around these main points:

1. U.S. and global growth is finally improving and this has implications for central bank policies, corporate earnings, employment, consumer and capital spending. We expect U.S. growth to be above consensus in the first half, and if interest rates remain well behaved, perhaps in H2 as well. China is likely to disappoint in H1 and accelerate in H2. Europe will improve modestly, which is important, as the potential of it falling back into recession was a big 2013 risk. Canada probably underperforms the U.S., but stronger U.S. growth eventually spills over into Canada.

2. Bond yields will rise in 2014 but our core view is that with the Fed Funds rate anchored at zero, it will be difficult for yields to rise dramatically. One of the key risks in 2014 is the bond market losing confidence in the Fed and 10 year yields rising to 4% or more. The tapering process is a material shift in Fed policy and these always have the potential to go wrong. If we are correct that growth surprises on the upside, the risk increases, so protection against this event is warranted.

3. Commodity prices should generally improve in 2014, although China remains a risk and any gains may be realized in the second half. Improving growth is good for energy but production is also growing strongly and these likely will offset each other. Base metals also seem reasonably balanced with room for demand to increase later in the year. Gold appears to us as having some early upside (technical bounce), but a stronger US Dollar should move prices lower as the year unfolds.

4. Capital flows will continue to favor equities over bonds as long as growth is improving. If growth weakens in H2 these will reverse quickly. High yield bonds should fare the best of the fixed income complex as they have the highest correlation to equities and the lowest correlation to government bond yields.

5. High yield default rates will stay low and may even fall slightly. Improving growth is good for leveraged companies' cash flow and with tapering being a very gradual process, liquidity will remain high.

6. Market volatility will increase, but as long as growth continues to improve and the 10 year treasury yields stay below 3.50%, it should not be excessive. These are the two key risks for 2014. If growth deteriorates rapidly, equities will fall, credit spreads will widen and bond yields will fall quickly. If growth is much stronger and the bond market loses faith in the Fed, bond yields will rise quickly, equities will fall and credit spreads will widen as markets begin to build in the eventuality of higher rates affecting growth. Of the two we are more worried about the stronger growth, higher rates scenario and have some hedges in place for this.

After two years of very strong equity markets driven by multiple expansion and good high yield returns, it is prudent to question whether this trend can continue, especially with bond yields rising and the extraordinary liquidity provided by QE abating. We do think the odds of this trend continuing outweigh those of a reversal:

1. Growth is improving and 3-3.5% looks likely to us versus 1.5-2.0% for several years.

2. Yield curves are steep and will likely steepen further which is an indicator of stronger growth.

3. The Fed is not raising rates even though the Fed Funds rate is at zero. They are tapering their QE program but liquidity will remain at very high levels.

4. Inflation is at very low levels and will likely remain below the Fed's target even if growth exceeds 3.0%.

5. Corporate profits will improve on stronger growth even with higher interest costs and potentially higher labor costs.
6. Finally, financial markets are CONFIDENT in growth and the Fed. Once this is achieved, it takes either a significant slowdown or an exogenous event to displace it. In the absence of either, multiples can expand a point or two and high yield spreads can narrow from here.

Based on the above we believe high yield can produce mid single digit returns and equities low double digits in 2014. With an increase in volatility we expect to add value by adding exposure in sell offs.

Recent Developments

On May 8, 2013, the Fund announced that the TSX had accepted its notice of intention to make a normal course issuer bid (“NCIB”). The NCIB commenced on May 10, 2013 and will expire on May 9, 2014 and replaced the initial NCIB program that the Fund had in place from May 10, 2012 until May 9, 2013. During the year ended December 31, 2013, the Fund purchased 2,607,800 units at an average price of $9.34 under its NCIB programs.

On July 17, 2013, Marret announced that 30,157,174 units of the Fund were submitted for redemption on the annual redemption date of July 30, 2013. Unitholders who tendered units for redemption received $9.2521 per unit, the applicable net asset value per unit on the annual redemption date. Redeeming unitholders also received the previously announced monthly distribution for July of $0.05 per unit. Redemption payments were made on August 22, 2013.

After adjusting for the redemption, the Portfolio’s holdings of illiquid securities increased to approximately 16% as at July 31, 2013. The higher level of illiquid securities increases the risks associated with the Portfolio as noted in the Prospectus.

On September 26, 2013 Marret announced that CI Financial Corp. agreed to acquire a majority interest in Marret. Marret continued to be the manager of the Fund following the transaction, which was completed in December 2013.

Upon closing, the Independent Review Committee (“IRC”) of the Fund was changed to align with the IRC of CI Investments. The CI Investments IRC consists of 5 members who have expertise in a broad range of areas, including the management and oversight of investment funds, accounting and general corporate experience. The new members of the IRC are the following: Stuart P. Hensman, Chair of the IRC, William Harding, Christopher M. Hopper, Sharon M. Ranson and James M. Werry.

*International Financial Reporting Standards*

On December 12, 2011 the Canadian Accounting Standards Board (“AcSB”) allowed investment funds to defer mandatory adoption of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting standards Board (“IASB”) until the fiscal year beginning on or after January 1, 2014. Accordingly, the Fund will adopt IFRS for its fiscal year beginning January 1, 2014, and will first issue financial statements in accordance with IFRS, including comparative information, for the semi-annual period ending June 30, 2014. The June 30, 2014 semi-annual and December 31, 2014 annual financial statements will include an opening Statement of Financial Position as at January 1, 2013 and comparative financial information prepared in accordance with IFRS.

The Manager has evaluated the differences between Canadian GAAP and IFRS and implemented a transition plan to meet the AcSB implementation timeline. 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 Fund’s unitholders’ equity meets the definition of a puttable instrument. The Manager has assessed the Fund’s unitholder structure and currently expects that liability treatment will be the 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 or another price within the bid/ask spread 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 for exchange traded securities and the mean of the bid and ask for fixed income investments is likely to be 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.

The Manager’s current evaluation may be subject to change due to issuance of new standards or new interpretations of existing standards.

## Related Party Transactions

Related party transactions consist of services provided by the Manager to the Fund. Pursuant to the management agreement, the Manager receives a management fee from the Fund equal to 0.25% per annum of the net asset value of the Fund (or 1.00% in total when combined with the management fee received from Marret HYS Trust), calculated and payable monthly in arrears, plus applicable taxes. The management fee is in consideration for providing management, portfolio management, and administrative services and facilities to the Fund. In addition to the management fee, the Manager receives a service amount calculated and paid as soon as practicable after the end of each calendar quarter, equal to 0.40% per annum of the Net Asset Value attributable to the units of the Fund. The service amount is paid to brokers based on the number of units of the Fund held by clients of such brokers at the end of the relevant quarter.

For the year ended December 31, 2013, the management fee, inclusive of applicable taxes, earned was $1,415,453 (5,791,867 in total when combined with the management fee earned from Marret HYS Trust). The service amount paid/ payable from the Fund, inclusive of applicable taxes, for the year ended December 31, 2013 was $2,264,725.

The Manager also receives a performance fee from Marret HYS Trust (the "**Performance Fee**"). The Performance Fee is determined as of December 31 of each year and for each year is an amount for each unit of Marret HYS Trust then outstanding equal to 15% of the amount by which the sum of (i) the net asset value of such unit (without taking into account the Performance Fee), and (ii) the distributions paid on such unit during the previous 12 months, exceeds 106.35% of the "Threshold Amount". For years ending after December 31, 2009, the Threshold Amount is the greater of (i) the net asset value per unit of the Fund immediately following June 17, 2009, which was $10.00, (ii) the net asset value per unit of Marret HYS Trust on December 31 for the previous fiscal year (after payment of the Performance Fee), and (iii) the net asset value per unit of the Fund on December 31 in the last fiscal year in which a Performance Fee was paid (after payment of the Performance Fee). There was no Performance Fee earned for the year ended December 31, 2013.

The Bank of Nova Scotia has a significant interest in CI Financial Corp., the parent company of the Manager. The Bank of Nova Scotia is also the Counterparty to the Forward Agreement and the only Unitholder of Marret HYS Trust.

## Tax Treatment of Forward Purchase & Sale Agreement

On March 21, 2013, the Federal Minister of Finance presented the majority government's budget. The budget will treat the return from the derivative investment portion of character conversion transactions, such as those employed by the Fund, as ordinary income rather than capital gains. The changes apply to agreements entered into or amended after March 20, 2013. Based on the Fund's legal structure and Forward Agreement in place, the Manager does not currently expect any impact of these changes on the Fund, prior to the maturity of its existing Forward Agreement on May 30, 2014.

# FINANCIAL HIGHLIGHTS

## FOR THE PERIODS ENDED DECEMBER 31, 2009 TO DECEMBER 31, 2013

The following tables show selected key financial information about the Fund that are intended to help you understand the Fund's financial performance for the past periods ended December 31, as applicable. The inception of the Fund was June 17, 2009. In the year a fund is established, 'period' represents inception to December 31 of that year. In all other cases, 'period' represents year ended December 31.

The Fund's Net Assets per Unit (1)

| | Period ended Dec 31, 2013 | Period ended Dec 31, 2012 | Period ended Dec 31, 2011 | Period ended Dec 31, 2010 | Period ended Dec 31, 2009 (2) |
|---|---|---|---|---|---|
| **Net Assets, beginning of period** | $ 9.75 | $ 10.14 | $ 10.79 | $ 10.20 | $ 10.00 |
| Issue expense (3) | $ - | $ - | $ - | $ - | $ (0.56) |
| Net Assets, beginning of period (net of issue expense) | $ 9.75 | $ 10.14 | $ 10.79 | $ 10.20 | $ 9.44 |
| **Increase / (decrease) from operations:** | | | | | |
| Total revenue | $ - | $ - | $ - | $ - | $ - |
| Total expenses | $ (0.10) | $ (0.10) | $ (0.11) | $ (0.11) | $ (0.06) |
| Realized gains / (losses) for the period | $ 0.63 | $ 0.23 | $ 0.14 | $ 0.12 | $ 0.03 |
| Unrealized gains / (losses) for the period | $ (0.73) | $ 0.14 | $ 0.02 | $ 1.38 | $ 1.23 |
| **Total increase / (decrease) from operations (4)** | $ (0.20) | $ 0.27 | $ 0.05 | $ 1.39 | $ 1.20 |
| **Distributions:** | | | | | |
| From income | $ - | $ - | $ - | $ - | $ - |
| From dividends | $ - | $ - | $ - | $ - | $ - |
| From capital gains | $ - | $ - | $ - | $ - | $ - |
| Return of capital | $ 0.60 | $ 0.70 | $ 0.80 | $ 0.80 | $ 0.43 |
| **Total Distributions (5)** | $ 0.60 | $ 0.70 | $ 0.80 | $ 0.80 | $ 0.43 |
| **Net Assets, end of period** | $ 9.00 | $ 9.75 | $ 10.14 | $ 10.79 | $ 10.20 |

(1) This information is derived from the Fund's audited annual financial statements. The Net Assets per unit presented in the financial statements differs from the Net Asset Value calculated for weekly Net Asset Value purposes. The Net Assets per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities on that date and includes the valuation of securities at bid prices for securities held long and at ask prices for securities held short divided by the number of units then outstanding.

(2) Information presented is for the period from June 17, 2009 to December 31, 2009.

(3) Issue expenses of $331,614 were paid by participants of the private placement of 812,000 units ($0.41 per unit) in February 2013. Issue expenses of $9,326,976 were paid by participants of the offering of 21,085,000 units ($0.44 per unit) in February 2012. Issue expense of $9,770,324 were paid by participants of an offering of 21,275,000 units ($0.46 per unit) in September 2011. Issue expense of $7,409,106 were paid by participants of an offering of 15,666,109 units ($0.47 per unit) in October 2010. These amounts have been excluded from the table above as they did not impact existing unitholders.

(4) Net assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time. The increase (decrease) in Net Assets from operations per unit is based on the weighted average number of units outstanding over the period.

(5) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution and were paid in cash.

## Ratios and Supplemental Data (based on Net Asset Value)

| | Period ended Dec 31, 2013 | Period ended Dec 31, 2012 | Period ended Dec 31, 2011 | Period ended Dec 31, 2010 | Period ended Dec 31, 2009 (1) |
|---|---|---|---|---|---|
| Total Net Asset Value | $ 331,011,022 | $ 670,731,877 | $ 605,283,673 | $ 414,311,288 | $ 231,901,872 |
| Number of Units Outstanding | 36,789,967 | 68,758,811 | 59,671,109 | 38,396,109 | 22,730,000 |
| Management Expense Ratio ("MER") (2) | 2.80% | 4.48% | 4.81% | 6.46% | 9.06% |
| Trading Expense Ratio (3) | 0.02% | 0.02% | 0.03% | 0.04% | 0.05% |
| Portfolio Turnover Rate (4) | 0.00% | 25.03% | 8.31% | 8.12% | 3.74% |
| Net Asset Value per Unit | $ 9.00 | $ 9.75 | $ 10.14 | $ 10.79 | $ 10.20 |
| Closing Market Price | $ 8.00 | $ 9.48 | $ 11.06 | $ 11.31 | $ 10.68 |

(1) Information presented is for the period from June 17, 2009 to December 31, 2009.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) of the Fund and Marret HYS Trust for the stated period, including interest expense and issuance costs, and is expressed as an annualized percentage of daily average Net Asset Value of the period.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value of the Fund during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of investments during the period. The portfolio turnover ratio for Marret HYS Trust for the year ended December 31, 2013 was 476.62% (2012 - 630.61%, 2011—311.87%, 2010—240.37% and 2009—40.01%)

## Management Expense Ratio

The MER for the period after adjusting for one-time issue expenses which were paid by the participants of the new issue was 2.74% (2012—3.20%, 2011 – 2.77%, 2010 – 3.82%; 2009 – 3.46%). The calculation of the MER requires that all items included in the expenses, as presented in the statement of operations of the Fund and Marret HYS Trust, be included in this calculation. As Marret HYS Trust invests both long and short, the expenses in the statement of operations include interest expense (on cash borrowings), security borrowing fees, interest expense on short positions, and dividend expense on short positions. These expenses (collectively "execution expenses") relate to execution of the investment strategy, not the administrative efficiency of the Fund, and increase the MER relative to funds that invest long only. The MER for the Fund excluding one time issue expenses and execution expenses for the period was 1.91% (2012 - 1.88%, 2011 – 1.88%, 2010 – 3.53%; 2009 – 3.11%). The MER also includes performance fees in years that a performance fee was earned by the Manager. The MER for the period excluding one time issue expenses, execution expenses and performance fees was 1.91% as there were no performance fees earned (2012 - 1.88%, 2011 – 1.88%, 2010 - 1.87%; 2009 – 1.87%).

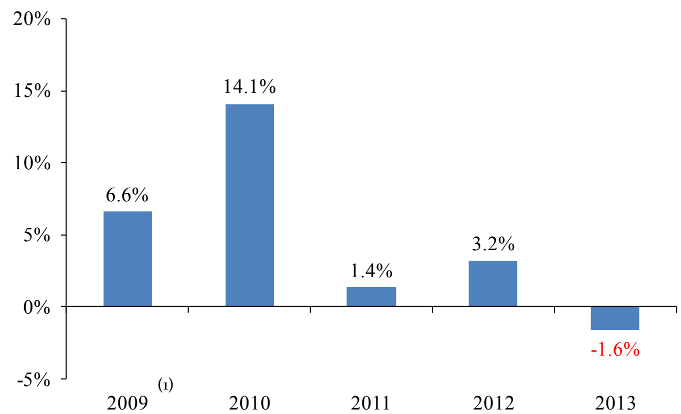
## PAST PERFORMANCE

This section shows the historical performance for the Fund for the periods ended December 31. Historical performance is based on the change in Net Asset Value per unit, assuming reinvestment of all distributions. Management fees and operating expenses have been taken into account before calculating performance. Historical performance does not take into account the potential impact on returns of purchases, redemptions, distribution fees or other optional charges or income taxes payable by an investor. Keep in mind that past performance does not necessarily indicate how the Fund will perform in the future.

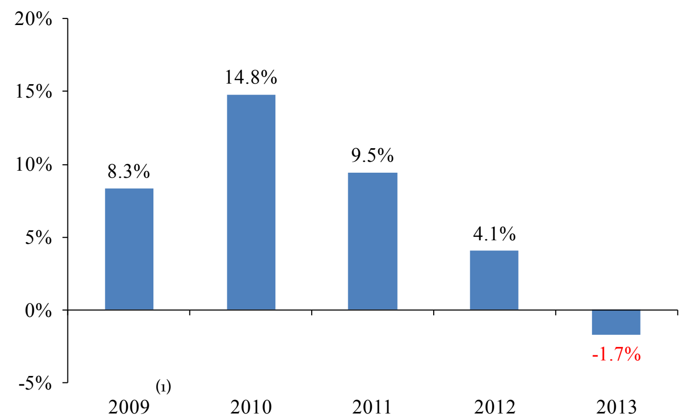
### Year-by-Year Returns

The bar charts show the Fund's total return for the overall Portfolio, long Portfolio positions and short Portfolio positions for the periods from inception to December 31, 2013. The charts show, in percentage terms, how an investment held on the first day of each period would have changed by the last day of the period.

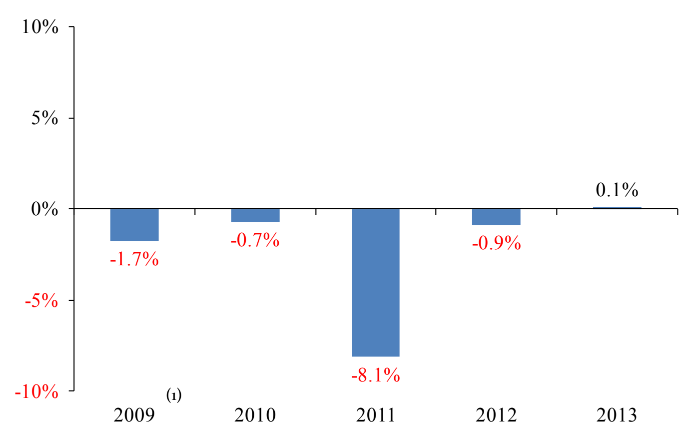
Overall Performance




Long Positions




Short Positions




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

Benchmark Indices

BofA Merrill Lynch U.S. High Yield Master II Index hedged to CAD ("**High Yield Index**"), the S&P/TSX Composite Total Return Index ("**TSX**") and the S&P 500 Total Return Index hedged to CAD ("**S&P 500**"). The High Yield Index is a broad-based index that tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The TSX tracks the performance of approximately 300 large-cap stocks listed on the TSX and the S&P 500 tracks 500 large-cap U.S. stocks representing all major industries.

Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with the High Yield Index, TSX and S&P 500. The High Yield Index, TSX and S&P 500 are calculated without the deduction of fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

| | **1 Year** | **3 Year** | **Since Inception (1)** |
|---|---|---|---|
| Marret High Yield Strategies Fund - Overall (2) | -1.6% | *1.0%* | 5.1% |
| *Long positions* | *-1.7%* | *4.0%* | *7.6%* |
| *Short positions (3)* | *0.1%* | *-3.0%* | *-2.5%* |
| BofA Merrill Lynch U.S. High Yield Master II Index (4) | 8.2% | 9.5% | 14.0% |
| S&P/TSX Composite Total Return Index | 13.0% | 3.4% | 9.4% |
| S&P 500 Total Return Index (4) | 33.2% | 16.7% | 19.5% |

(1) Period from June 17, 2009 (Fund inception) to December 31, 2013.
(2) Based on Net Asset Value per unit and assuming that distributions made by the Fund on its units in the periods shown were reinvested (at Net Asset Value per unit) in additional units of the Fund.
(3) Annual compound return for short positions does not include foreign currency hedging gains/losses.
(4) Hedged to the Canadian dollar.

# SUMMARY OF INVESTMENT PORTFOLIO

AS AT DECEMBER 31, 2013

**Portfolio Composition** (1)

| Category | Percentage of Net Asset Value |
|---|---|
| High Yield Corporate Debt Long | 92.2% |
| Bank Loans Long | 4.1% |
| Capital Structure Arbitrage - Debt Long vs Equity Short | 2.6% |
| Equities Long | 2.3% |
| Capital Structure Arbitrage - Debt Long vs Debt Short | 2.2% |
| ETFs Long | 0.9% |
| High Grade Corporate Debt Long | 0.3% |
| High Yield Corporate Debt Short | -0.5% |
| Equities Short | -0.6% |
| Government Debt Short | -1.1% |
| ETFs Short | -1.1% |
| Cash and Cash Equivalents | -3.0% |
| Other assets (liabilities) | 1.6% |
| Total Net Asset Value (in $ millions) | 331.0 |

**Top 25 Holdings** (2)

| Security Name | Percentage of Net Asset Value |
|---|---|
| ***Long Positions*** | |
| Cline Mining Corp 10% 15Jun2014 | 10.8% |
| Columbus Intl Inc 11.5% 20Nov2014 144A | 5.3% |
| Canadian Satellite Radio 9.75% 21Jun2018 | 5.2% |
| Level 3 Financing Inc 9.375% 01Apr2019 | 2.9% |
| HCA Inc 8.5% 15Apr2019 | 2.6% |
| Data & AV Ent Holdings 15.5% 28Feb2014 | 2.5% |
| MetroPCS Wireless Inc 7.875% 01Sep2018 | 2.1% |
| Sprint Nextel Corp 9% 15Nov2018 144A | 1.9% |
| Reynolds Grp Iss/Reynold 7.125% 15Apr2019 | 1.9% |
| MGM Resorts Intl Term Loan 20Dec2019 | 1.7% |
| Virgin Media Secured Fin 6.5% 15Jan2018 | 1.7% |
| T-Mobile USA Inc 6.5% 15Jan2024 | 1.6% |
| Leap Wireless Term Loan 08Mar2020 | 1.6% |
| Digicel Limited 8.25% 01Sep2017 144A | 1.6% |
| NRG Energy Inc 8.5% 15Jun2019 | 1.6% |
| EV Energy Partners/Finan 8% 15Apr2019 | 1.5% |
| Intelsat Jackson Hldg 8.5% 01Nov2019 | 1.5% |
| Crown Castle Intl Corp 5.25% 15Jan2023 | 1.4% |
| Legacy Reserves/Finance 8% 01Dec2020 144A | 1.3% |
| Nova Chemicals Corp 8.625% 01Nov2019 | 1.3% |
| NII Internat Telecom SCA 7.875% 15Aug2019 144A | 1.2% |
| Netflix Inc 5.375% 01Feb2021 144A | 1.1% |
| Windstream Corp 6.375% 01Aug2023 | 1.1% |
| ***Short Positions*** | |
| Cash and Cash Equivalents | -3.0% |
| US Treasury N/B 2.5% 15Aug2023 | -1.1% |
| ***Total Portfolio Longs*** | 104.9% |
| ***Total Portfolio Shorts*** | -4.2% |

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

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

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

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

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