MARRET ASSET MANAGEMENT INC.

Marret High Yield Strategies Fund

2011 Interim Management Report of Fund Performance

August 12, 2011

This interim management report of fund performance for Marret High Yield Strategies Fund (the "Fund") contains financial highlights but does not contain the complete interim financial statements of the Fund. This report should be read in conjunction with the interim financial statements of the Fund for the six months ended June 30, 2011.

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

The Fund

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

Investment Objective and Strategies

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

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

Risks

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

Leverage

Through the Forward Agreement, the Fund is exposed to leverage in Marret HYS Trust. Leverage did not cause a material change in the risk associated with an investment in units of the Fund. An increase in leverage may cause an investment in units to become more risky should any event adversely affect the value of an investment held by the Fund 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.

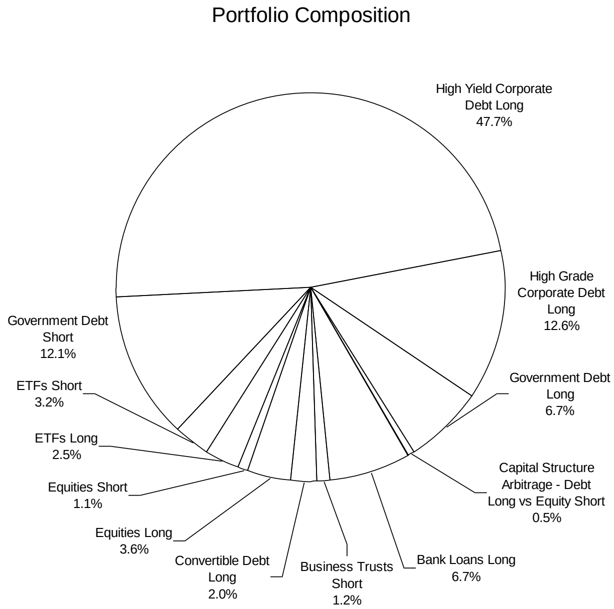
As indicated in the Fund's prospectus, the net exposure of Marret HYS Trust will not exceed 135%, on a daily marked-to-market basis, with net exposure calculated as the value of long security positions, excluding cash and cash equivalents, minus the absolute value of short positions, divided by the net asset value of Marret HYS Trust. At June 30, 2011, the Portfolio's net exposure was 84.5% of the net asset value of Marret HYS Trust.

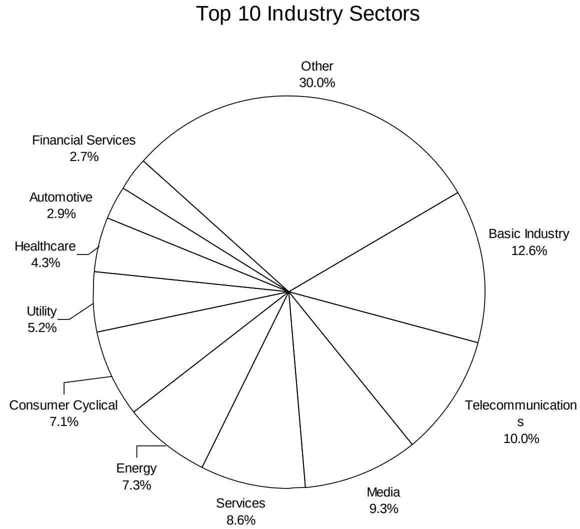
Figures presented in this management report of fund performance are generally based on the Fund's calculation of its weekly net asset value ("Net Asset Value"), in accordance with the Fund's prospectus which may be calculated on a basis different from the application of Canadian Institute of Chartered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

Results of Operations

Investment Portfolio

As of June 30, 2011, Marret HYS Trust held a total of 145 securities and the majority of the Portfolio was invested in High Yield Debt. The breakdown of the Portfolio is shown in the accompanying pie charts, and a detailed listing of the Portfolio's security holdings is provided in the interim financial statements of Marret HYS Trust. As of June 30, 2011, the Portfolio had an average duration of 3.41 years and a yield to maturity of 5.95%.





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

Distributions
During the six months ended June 30, 2011, the Fund made monthly cash distributions which totaled $0.402 per unit.

Liquidity and Capital Resources
Through the Forward Agreement, the Fund's performance is affected by leverage in Marret HYS Trust. Marret HYS Trust has a credit facility which provides the ability to borrow i) Canadian Dollars at a rate equal to the Bank of Canada Overnight Lending Rate plus a fixed percentage, and ii) U.S. Dollars at a rate equal to Federal Funds Overnight Rate plus a fixed percentage. The facility has been used by Marret HYS Trust to invest in additional portfolio investments. As at June 30, 2011, Marret HYS Trust had nil borrowings under this facility. During the six months ended June 30, 2011, the minimum and maximum amounts of net borrowings of Marret HYS Trust were nil and $0.5 million, respectively.

Recent Developments

Market Developments
Volatility rose throughout July with most of the attention focused on European bond yields and the US debt ceiling negotiation.

Broadly speaking, we see the world as floating on a sea of artificial liquidity, created by Central Banks who don't know what else to do and massively over-indebted governments who can see nothing but the next election. We believe this will lead to a global sovereign debt crisis and severe market dislocations. When this will occur is much more difficult to determine.

In light of these risks, we maintain our core defensive theme with a focus on high quality and high liquidity. Having said that, the first few days of August appear to us as having some characteristics of a risk blowoff or capitulation and markets may start to improve. We have removed some hedges and are slowly adding risk but our neutral view is still intact. Should the US data show any improvement, China and its rate hike cycle and Italian and Spanish bond yields ease, markets should begin to recover. It is unlikely to be a straight line but adding risk slowly here has a reasonable risk/reward. Nevertheless, given broader macro uncertainties, caution is still warranted.

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 six months ended June 30, 2011, the management fee, inclusive of applicable taxes, earned was $572,698 ($2,346,664 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 six months ended June 30, 2011 was $916,316.

The Manager also receives a performance fee from Marret HYS Trust (the “Performance Fee”). The Performance Fee is determined as of December 31 of each year and for each year is an amount for each unit of Marret HYS Trust then outstanding equal to 15% of the amount by which the sum of (i) the Net Asset Value of such unit (without taking into account the Performance Fee), and (ii) the distributions paid on such unit during the previous 12 months, exceeds 106.35% of the “Threshold Amount”. For years ending after December 31, 2009, the Threshold Amount is the greater of (i) the Net Asset Value per unit of Marret HYS Trust immediately following June 17, 2009, which was $10.00, (ii) the Net Asset Value per unit of Marret HYS Trust on December 31 for the previous fiscal year (after payment of the Performance Fee), and (iii) the Net Asset Value per unit of Marret HYS Trust on December 31 in the last fiscal year in which a Performance Fee was paid (after payment of the Performance Fee). There was no Performance Fee accrued for the six months ended June 30, 2011.

Financial Highlights

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

The Fund's Net Assets per Unit [1]

	Six months ended June 30, 2011	Year ended Dec 31, 2010	Year ended Dec 31, 2009 [2]
Net Assets, beginning of period	$ 10.79	$ 10.20	$ 10.00
Issue expense [3]	$ -	$ -	$ (0.56)
Net Assets, beginning of period (net of issue expense)	$ 10.79	$ 10.20	$ 9.44
Increase / (decrease) from operations:			
Total revenue	$ -	$ -	$ -
Total expenses	$ (0.06)	$ (0.11)	$ (0.06)
Realized gains / (losses) for the period	$ 0.08	$ 0.12	$ 0.03
Unrealized gains / (losses) for the period	$ 0.35	$ 1.38	$ 1.23
Total increase / (decrease) from operations [4]	$ 0.37	$ 1.39	$ 1.20
Distributions:			
From income	$ -	$ -	$ -
From dividends	$ -	$ -	$ -
From capital gains	$ -	$ -	$ -
Return of capital	$ 0.40	$ 0.80	$ 0.43
Total Distributions [5]	$ 0.40	$ 0.80	$ 0.43
Net Assets, end of period	$ 10.76	$ 10.79	$ 10.20

(1) This information is derived from the Fund's audited annual and unaudited interim 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 $7,409,106 were paid exclusively by participants of the secondary offering of 15,666,109 units ($0.47 per unit) in October 2010. This amount has been excluded from the table above as it 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)

	Six months ended June 30, 2011	Year ended Dec 31, 2010	Year ended Dec 31, 2009 (1)
Total Net Asset Value	$ 413,257,280	$ 414,311,288	$ 231,901,872
Number of Units Outstanding	38,396,109	38,396,109	22,730,000
Management Expense Ratio ("MER") (2)	2.80%	6.46%	9.06%
Trading Expense Ratio (3)	0.03%	0.04%	0.05%
Portfolio Turnover Rate (4)	0.00%	8.12%	3.74%
Net Asset Value per Unit	$ 10.76	$ 10.79	$ 10.20
Closing Market Price	$ 11.43	$ 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. The Management Expense Ratio, for the period ended December 31, 2010, excluding Issue Expenses was 3.82% (2009 – 3.46%) and excluding Performance Fees and Issue Expenses was 2.15% (2009 – 2.21%). The 2010 issue expenses were associated with an October 2010 secondary offering and paid entirely by participants of the secondary offering.
(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 period ended June 30, 2011 was 135.15%.

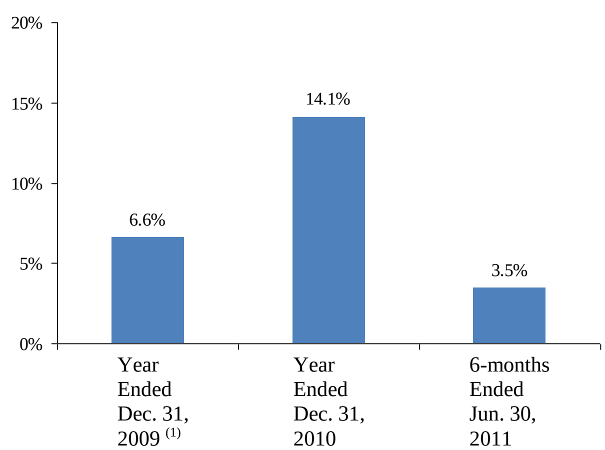
Past Performance

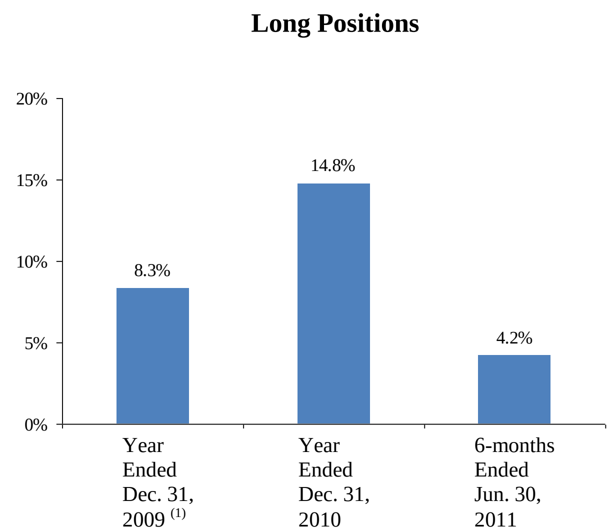
The following charts and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on Net Asset Value per unit and assumes that cash distributions made by the Fund in the periods shown were reinvested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

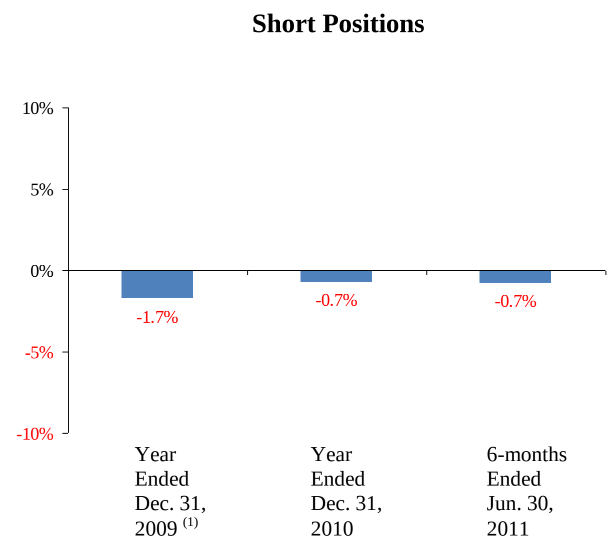
Year-by-Year Returns

The bar charts show the Fund’s total return for the overall Portfolio, long Portfolio positions and short Portfolio positions for the periods from inception to June 30, 2011. The charts show, in percentage terms, how an investment held on the first day of each period would have changed by the last day of the period.

Overall Portfolio







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

Compound Returns

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

	Six months ended June 30, 2011	**Since Inception (1)**
Marret High Yield Strategies Fund - Overall (2)	3.5%	11.9%
Long positions	*4.2%*	*15.1%*
Short positions (3)	*-0.7%*	*-3.2%*
Merrill Lynch U.S. High Yield Master II Index (4)	15.8%	20.2%
S&P/TSX Composite Total Return Index	20.9%	16.4%
S&P 500 Total Return Index (4)	31.1%	22.2%

(1) Period from June 17, 2009 (Fund inception) to June 30, 2011.
(2) Based on Net Asset Value per unit and assuming that distributions made by the Fund on its units in the periods shown were reinvested (at Net Asset Value per unit) in additional units of the Fund.
(3) Annual compound return for short positions does not include foreign currency hedging gains/losses.
(4) Hedged to the Canadian dollar.

Summary of Investment Portfolio

As at June 30, 2011

Portfolio Composition

Category	Percentage of Net Asset Value
High Yield Corporate Debt Long	62.7%
High Grade Corporate Debt Long	16.5%
Bank Loans Long	8.8%
Government Debt Long	8.8%
Equities Long	4.7%
ETFs Long	3.3%
Convertible Debt Long	2.6%
Capital Structure Arbitrage - Debt Long vs Equity Short	0.7%
Equities Short	-1.4%
Business Trusts Short	-1.5%
ETFs Short	-4.2%
Government Debt Short	-15.9%
Cash and Cash Equivalents	14.4%
Other assets (liabilities)	0.5%
Total Net Asset Value (in $ millions)	413.3

Top 25 Holdings [(2)]

Security Name	Percentage of Net Asset Value
Long Positions	
Cash and Cash Equivalents	14.3%
US Treasury N/B 4.375% 15May2041	6.8%
Newport Finance Corp Term Loan 31Oct2011	3.1%
Canadian Satellite Radio 9.75% 21Jun2018	2.4%
New Gold Inc 5% 29Jun2014	2.3%
McDonald's Corp 6.3% 01Mar2038	2.2%
iShares S&P/TSX Global Gold	2.0%
Canadian Government 4% 01Jun2041	1.9%
Johnson & Johnson 4.5% 01Sep2040	1.9%
Quadra FNX Mining Ltd 7.75% 15Jun2019 144A	1.8%
Charter Comm Opt LLC/Cap 8% 30Apr2012 144A	1.8%
Charter Comm Opt LLC/Cap 10.875% 15Sep2014 144A	1.7%
New Gold Inc 10% 28Jun2017	1.7%
Data & AV Ent Holdings 15% 25Sep2018	1.7%
Calpine Cons Fin/CCFC Fi 8% 01Jun2016 144A	1.6%
Clearwire Comm/Finance 12% 01Dec2015 144A	1.6%
Procter & Gamble Co/The 5.55% 05Mar2037	1.6%
HCA Inc 8.5% 15Apr2019	1.6%
Procter & Gamble Co/The 4.7% 15Feb2019	1.6%
MGM Resorts Intl 13% 15Nov2013	1.6%
Short Positions	
US Treasury N/B 4.25% 15Nov2040	-6.4%
US Treasury N/B 4.75% 15Feb2041	-4.0%
iShares Russell 2000	-2.8%
US Treasury N/B 4.375% 15May2040	-2.2%
US Treasury N/B 2.625% 15Nov2020	-1.7%
Total Portfolio Longs	107.6%
Total Portfolio Shorts	-23.1%

[(1)] Through the Forward Agreement, the Fund is exposed to the value of the investment portfolio of Marret HYS Trust. A summary of the investment portfolio of Marret HYS Trust is included above.
[(2)] The top 25 holdings of Marret HYS Trust, as a percentage of the Net Asset Value of Marret HYS Trust, have been presented in accordance with NI 81-106.

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

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

2011 Tax Information

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

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

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

Record Date	Payment Date	Return of Capital	Total Distribution
31-Jan-11	14-Feb-11	$0.0670	$0.0670
28-Feb-11	14-Mar-11	$0.0670	$0.0670
31-Mar-11	14-Apr-11	$0.0670	$0.0670
29-Apr-11	13-May-11	$0.0670	$0.0670
31-May-11	14-Jun-11	$0.0670	$0.0670
30-Jun-11	15-Jul-11	$0.0670	$0.0670
Total		$0.4020	$0.4020

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

Portfolio Manager

Marret Asset Management Inc.

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

Portfolio Manager's Report

For the six-month period ended June 30, 2011, the Fund continued to focus on the theme of participating in the liquidity-driven rally while maintaining its defensive positioning, focusing on high quality and highly liquid debt instruments. Despite growing macro risks and our bearish longer term outlook, high yield spreads continued to remain relatively attractive due to expectations of very low default rates. Central banks remained highly accommodative due to a tenuous economic recovery and will most likely continue to do so for as long as the bond markets allow. This boded well for high yield issuers through lower borrowing costs as well as an increased ability to refinance existing debt, reducing near-term default risk as a result. High yield issuance proceeded at a record pace as companies sought to take advantage of lower interest rates. Despite declining yields since year-end, high yield spreads still ended the quarter at approximately 550bps, roughly where they began in 2011. More importantly, excess spread (defined as spread less expected loss) continued to remain at very high levels, still implying attractive risk-adjusted returns in high yield.

The Fund continued to remain somewhat cautious, focused on companies with strong credit profiles, or otherwise, in securities with strong capital structure positioning in those sectors that may still have been fundamentally soft. A continued shift had been made over the course of the last year to increase exposure to shorter duration, higher coupon bonds to reduce the sensitivity of the portfolio to both rising interest rates (given lower yield levels), and spread widening (given rising macro risks). Furthermore, hedges were increased through both incremental high yield CDX short positions and additional equity short positions. While these dynamics resulted in a lower yield to maturity than the overall market for much of the period, the portfolio's current yield remained favourable. Cash balances were also higher than normal throughout most of the first half of 2011 to protect against potential negative event risks due to escalating sovereign debt problems, which also reduced the overall yield. The portfolio benefited from its exposure to companies within the energy and metals/mining sectors. These companies continued to have strong cash flow due to elevated levels of commodity prices, and generally maintained strong balance sheets and attractive asset coverage for debt investors. Additionally, Consolidated Thompson Iron Mines Limited, a large holding of the fund, had been taken over and a tender offer was made to redeem the bonds at a significant premium. This highlighted the benefits of focusing on debt with strong capital structure positioning. The notes were a secured private placement created to generate attractive interest income while maintaining security and restrictive covenants to minimize downside loss. Due to the strength of the indenture, the acquirer had chosen to redeem the debt and remove the encumbrance and restrictive covenants governing the bonds. Further considerable appreciation was generated through equity participation in warrants (received when the notes were issued), common equity and convertible debt positions in the name. Other notable sector exposure included Telecom and Cable/Satellite, both of which had provided exposure to large liquid issuers in stable, cash generating businesses. Gaming remained a focus despite weak fundamentals. In this sector, the fund was predominantly invested in first mortgage securities with strong collateral packages, which would be expected to provide strong recoveries even in downside scenarios. We continued to maintain some exposure to precious metals, diversified across senior debt, convertible debt, equity and gold ETF positions. We also continued to maintain exposure to high quality, high grade corporate spreads, given our macro views.

Forward-Looking Statements

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

Corporate Information

Independent Review Committee

John Anderson, CA

Richard Stone

Ross MacKinnon

Directors and Officers

Barry Allan
President, Chief Compliance Officer, Director

Paul Sandhu
Vice President, Director

David Gluskin
Vice President, Director

Marcus Spain, CA
Vice President, Chief Financial Officer

Dorothea Mell, CFA
Vice President, Corporate Secretary

Adrian Prenc, CFA, FRM
Vice President

Trustee
Equity Transfer & Trust Company

Transfer Agent & Registrar
Computershare Investor Services Inc.

Custodian
CIBC Mellon Trust Company

Prime Broker
Scotia Capital Inc.

Auditors
PricewaterhouseCoopers LLP

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