

Semi-Annual Financial Statements – as at June 30, 2014



Marret High Yield Strategies Fund

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MARRET HIGH YIELD STRATEGIES FUND

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Marret Asset Management Inc., the Manager of the Fund, appoints independent auditors to audit the Fund's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Semi-Annual Financial Statements, this must be disclosed in an accompanying notice.

The Fund's independent auditors have not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

Marret High Yield Strategies Fund

Financial Statements (unaudited)

Statements of Financial Position

(in \$ except for per unit amounts)

	as at June 30, 2014	as at December 31, 2013	as at January 1, 2013
Assets			
Current assets			
Investments*	35,857,654	15,125	15,392
Cash	57,375	73,818	5,505,664
Cash and cash equivalents held at broker	-	-	-
Margin	-	-	-
Receivable for investments sold	-	-	-
Receivable for unit subscriptions	-	-	-
Interest receivable	-	37	37
Dividends receivable	-	-	-
Other assets	443,356	101,683	236,222
Derivative assets	-	333,411,354	669,825,439
	36,358,385	333,602,017	675,582,754
Liabilities			
Current liabilities			
Investments sold short**	-	-	-
Bank overdraft	-	-	-
Due to broker	-	-	-
Margin	-	-	-
Payable for investments purchased	-	-	-
Payable for unit redemptions	-	-	-
Management fees payable	-	79,911	161,352
Performance fees payable	-	-	-
Other accrued expenses	149,583	671,586	1,251,584
Distributions payable to holders of redeemable units	-	1,839,498	3,437,941
Dividends payable on investments sold short	-	-	-
Interest payable on investments sold short	-	-	-
Derivative liabilities	-	-	-
	149,583	2,590,995	4,850,877
Net assets attributable to holders of redeemable units	36,208,802	331,011,022	670,731,877
Net assets attributable to holders of redeemable units per unit:			
Class A	0.99	9.00	9.75
Number of redeemable units outstanding:			
Class A	36,729,002	36,789,967	68,758,811

The accompanying notes are an integral part of these financial statements.

Marret High Yield Strategies Fund

Financial Statements (unaudited)

Statements of Comprehensive Income

for the six-month periods ended June 30 (in \$ except for per unit amounts)

	2014	2013
Income		
Net gain (loss) on investments		
Dividends	-	-
Interest for distribution purposes	71,963	224
Derivative income (loss)	-	-
Interest expense on investments sold short	-	-
Dividends expense on investments sold short	-	-
Net realized gain (loss) on sale of investments and derivatives	26,677,179	4,317,090
Change in unrealized appreciation (depreciation) in value of investments and derivatives	(35,322,697)	(19,392,190)
Total net gain (loss) on investments	(8,573,555)	(15,074,876)
Other income		
Foreign exchange gain (loss)	(64)	-
Securities lending	-	-
Other income	-	-
Total income (net)	(8,573,619)	(15,074,876)
Expenses		
Management fees	359,001	892,729
Operating fees	-	-
Performance fees	-	-
Fund administration expense	-	-
Audit fees	5,790	7,340
Legal fees	116,855	22,874
Trustee fees	2,603	2,730
Transfer agent fees	6,878	6,636
Custodial and administrative fees	17,252	19,526
Independent review committee fees	-	-
Unitholders reporting costs	-	-
Commissions and other portfolio transaction costs	-	-
Professional fees	3,018	536
Regulatory fees	59,861	87,199
Commission fees	-	21,157
Counterparty fees	391,694	887,591
Security borrowing fees	-	-
Service expense	575,203	1,428,366
Other expenses	4,455	-
Interest expense	-	30
Withholding taxes	-	-
Harmonized sales tax	-	-
Total expenses	1,542,610	3,376,714
Expenses absorbed by the manager	-	-
Increase (decrease) in net assets attributable to holders of redeemable units	(10,116,229)	(18,451,590)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:		
Class A	(0.27)	(0.27)

The accompanying notes are an integral part of these financial statements.

Marret High Yield Strategies Fund

Financial Statements (unaudited)

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units for the six-month periods ended June 30 (in \$)

	2014	2013
Class A		
Net assets attributable to holders of redeemable units at the beginning of period	331,011,022	670,731,877
Increase (decrease) in net assets attributable to holders of redeemable units	(10,116,229)	(18,451,590)
Distributions to holders of redeemable units		
From net investment income	-	-
From net realized gains on sale of investments and derivatives	-	-
Return of capital	(284,303,802)	(20,467,881)
Total distributions to holders of redeemable units	(284,303,802)	(20,467,881)
Redeemable unit transactions		
Issue costs	-	(331,635)
Proceeds from redeemable units issued	-	8,220,200
Reinvestment of distributions to holders of redeemable units	-	-
Redemption of redeemable units	(382,189)	(19,862,712)
Net increase (decrease) from redeemable unit transactions	(382,189)	(11,974,147)
Net increase (decrease) in net assets attributable to holders of redeemable units	(294,802,220)	(50,893,618)
Net assets attributable to holders of redeemable units at the end of period	36,208,802	619,838,259

The accompanying notes are an integral part of these financial statements.

Marret High Yield Strategies Fund

Financial Statements (unaudited)

Statements of Cash Flows

for the six-month periods ended June 30 (in \$)

	2014	2013
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	(10,116,229)	(18,451,590)
Adjustments for:		
Net realized (gain) loss on sale of investments and derivatives	(26,677,138)	(4,317,090)
Change in unrealized (appreciation) depreciation in value of investments and derivatives	35,322,697	19,392,190
Proceeds from the sale and maturity of investments	324,778,012	38,146,806
Purchase of investments	(35,854,746)	-
Cash held at broker	-	-
Cash held at broker, margin deposits	-	-
Margins	-	-
(Increase) decrease in interest receivable	-	-
(Increase) decrease in dividends receivable	-	-
(Increase) decrease in other receivables	(341,636)	(68,244)
Increase (decrease) in interest payable on investments sold short	-	-
Increase (decrease) in dividends payable on investments sold short	-	-
Increase (decrease) in other liabilities	(601,914)	(72,559)
Net cash from (used in) operating activities	286,509,046	34,629,513
Cash flows from (used in) financing activities		
Due to broker	-	-
Proceeds from issuance of redeemable units	-	8,220,200
Amount received from reinvestment of distributions to holders of redeemable units	-	-
Amount paid on redemptions of redeemable units	(382,189)	(18,404,024)
Distributions paid to holders of redeemable units, net of reinvested distributions	(286,143,300)	(20,525,335)
Issue costs	-	(331,635)
Net cash from (used in) financing activities	(286,525,489)	(31,040,794)
Net increase (decrease) in cash	(16,443)	3,588,719
Cash (bank overdraft), beginning of period	73,818	5,505,664
Cash (bank overdraft), end of period	57,375	9,094,383
Supplementary Information:		
Dividends received, net of withholding taxes	-	-
Interest received	71,963	224

The accompanying notes are an integral part of these financial statements.

Marret High Yield Strategies Fund

Fund Specific Notes to the Financial Statements (unaudited)

Financial Instruments Risks (Note 7)

Concentration Risk

As at December 31, 2013 and January 1, 2013, the Fund was exposed to the financial instruments risks of the Marret HYS Trust (the "Underlying Trust") by virtue of Forward Purchase Agreement. On May 30, 2014 the Forward Purchase Agreement was settled in accordance with its terms.

The Underlying Trust's investments were concentrated in the following segments:

as at December 31, 2013

	% of Net Assets Attributable to Holders of Redeemable Units
Government of Canada & Government Guaranteed - long positions	-
Canadian Corporate Bonds - long positions	34.75
Canadian Corporate Bonds - short positions	-
U.S. Federal Bonds & Government Guaranteed - short positions	(1.07)
U.S. Corporate Bonds - long positions	50.46
U.S. Corporate Bonds - short positions	(1.16)
International Bonds - long positions	12.47
Total Bonds	95.45
Term Loans	4.03
Canadian Equities - long positions	2.15
Canadian Equities - short positions	-
United States Equities - long positions	1.04
United States Equities - short positions	(2.04)
International Equities - short positions	-
Total Equities	1.15
Total Investments	100.63

as at January 1, 2013

	% of Net Assets Attributable to Holders of Redeemable Units
Government of Canada & Government Guaranteed - long positions	3.94
Canadian Corporate Bonds - long positions	24.76
Canadian Corporate Bonds - short positions	(0.48)
U.S. Federal Bonds & Government Guaranteed - short positions	(18.45)
U.S. Corporate Bonds - long positions	64.86
U.S. Corporate Bonds - short positions	(3.58)
International Bonds - long positions	4.59
Total Bonds	75.64
Term Loans	2.57
Canadian Equities - long positions	5.02
Canadian Equities - short positions	(0.29)
United States Equities - long positions	2.95
United States Equities - short positions	(3.34)
International Equities - short positions	(1.81)
Total Equities	2.53
Total Investments	80.74

The accompanying notes are an integral part of these financial statements.

Marret High Yield Strategies Fund

Fund Specific Notes to the Financial Statements (unaudited) (cont'd)

Credit Risk

The Fund was invested in fixed income securities, preferred securities and derivative instruments, as applicable, with the following credit ratings:

as at June 30, 2014

Credit Ratings ^{^*}	% of Net Assets Attributable to Holders of Redeemable Units		
	Long	Short	Net
Unrated	99.03	-	99.03
Total	99.03	-	99.03

As at December 31, 2013 and January 1, 2013, the Fund had no significant direct exposure to credit risk.

As at December 31, 2013 and January 1, 2013, the Fund indirectly bore the credit exposure of the Underlying Trust.

The Underlying Trust was invested in fixed income securities, preferred securities and derivative instruments, as applicable, with the following credit ratings:

as at December 31, 2013

Credit Ratings ^{^*}	% of Net Assets Attributable to Holders of Redeemable Units		
	Long	Short	Net
AAA	0.27	(1.07)	(0.80)
BBB	0.79	-	0.79
Below BBB	79.69	(1.16)	78.53
Unrated	21.24	-	21.24
Total	101.99	(2.23)	99.76

as at January 1, 2013

Credit Ratings ^{^*}	% of Net Assets Attributable to Holders of Redeemable Units		
	Long	Short	Net
AAA	25.72	(18.45)	7.27
AA	14.09	-	14.09
A	3.83	-	3.83
BBB	1.51	-	1.51
Below BBB	61.27	(4.06)	57.21
Unrated	8.85	-	8.85
Total	115.27	(22.51)	92.76

[^]Credit ratings are obtained from Standard & Poor's, where available, otherwise ratings are obtained from: Moody's Investors Service or Dominion Bond Rating Services, respectively.

*Refer to Note 7 for Credit Rating Chart reference.

Marret High Yield Strategies Fund

Fund Specific Notes to the Financial Statements (unaudited) (cont'd)

Other Price Risk

As at June 30, 2014, the other price risk of the Fund was insignificant as the Fund was invested in fixed income securities.

As at December 31, 2013 and January 1, 2013, the Fund was exposed to other price risk of the Underlying Trust by virtue of Forward Purchase Agreement. As of December 31, 2013 and January 1, 2013, the Underlying Trust was invested in global equities and therefore was sensitive to changes in general economic conditions across the world.

As at June 30, 2014, had the global markets increased or decreased by 5% (December 31, 2013 and January 1, 2013 - 5%), with all other variables held constant, net assets attributable to holders of redeemable units of the Fund would have increased or decreased, respectively, by approximately nil (December 31, 2013 - \$191,664 and January 1, 2013 - \$843,394). In practice, actual results may differ from this analysis and the difference may be material.

Currency Risk

As at June 30, 2014, the Fund's investments were denominated in Canadian dollars, the functional currency of the Fund. As a result, the Fund was not exposed to currency risk.

As at December 31, 2013 and January 1, 2013, the Fund had no significant direct exposure to currency risk.

As at December 31, 2013 and January 1, 2013, the Fund indirectly bore the currency risk exposure of the Underlying Trust.

The tables below summarize the Underlying Trust's exposure to currency risk.

as at December 31, 2013

Currency	Net Currency Risk Investments (\$)	Working Capital (\$)	Currency Risk Due From (To) Broker (\$)	Forward Currency Contracts (\$)	Net Exposure (\$)	% of Net Assets Attributable to Holders of Redeemable Units
US Dollar	281,307,420	6,338,520	(4,991,416)	(260,895,902)	21,758,622	6.55
Total	281,307,420	6,338,520	(4,991,416)	(260,895,902)	21,758,622	6.55

as at January 1, 2013

Currency	Net Currency Risk Investments (\$)	Working Capital (\$)	Currency Risk Due From (To) Broker (\$)	Forward Currency Contracts (\$)	Net Exposure (\$)	% of Net Assets Attributable to Holders of Redeemable Units
US Dollar	421,301,371	17,753,145	2,869,417	(442,243,786)	(319,853)	(0.05)
Total	421,301,371	17,753,145	2,869,417	(442,243,786)	(319,853)	(0.05)

As at June 30, 2014, had the Canadian dollar strengthened or weakened by 5% (December 31, 2013 and January 1, 2013 - 5%) in relation to all other foreign currencies held in the Fund, with all other variables held constant, net assets attributable to holders of redeemable units of the Fund would have decreased or increased, respectively, by approximately nil (December 31, 2013 - \$1,087,931 and January 1, 2013 - \$15,993). In practice, the actual results may differ from this analysis and the difference may be material.

Marret High Yield Strategies Fund

Fund Specific Notes to the Financial Statements (unaudited) (cont'd)

Interest Rate Risk

The table below summarizes the Fund's exposure to interest rate risk, categorized by the contractual maturity date.

as at June 30, 2014

Bonds	Long (\$)	Short (\$)	Net (\$)
< 1 year	33,586,896	-	33,586,896
1-3 years	-	-	-
3-5 years	2,270,758	-	2,270,758
> 5 years	-	-	-
Total	35,857,654	-	35,857,654

As at December 31, 2013 and January 1, 2013, the Fund had no direct exposure to interest rate risk.

As at December 31, 2013 and January 1, 2013, the Fund indirectly bore the interest rate risk exposure of the Underlying Trust.

The tables below summarize the Underlying Trust's exposure to interest rate risk, categorized by the contractual maturity date.

as at December 31, 2013

Bonds	Long (\$)	Short (\$)	Net (\$)
< 1 year	69,626,642	-	69,626,642
1-3 years	4,970,524	-	4,970,524
3-5 years	60,713,868	(3,072,208)	57,641,660
> 5 years	202,756,177	(4,333,701)	198,422,476
Total	338,067,211	(7,405,909)	330,661,302

as at January 1, 2013

Bonds	Long (\$)	Short (\$)	Net (\$)
< 1 year	57,774,911	-	57,774,911
1-3 years	75,934,059	-	75,934,059
3-5 years	136,228,757	(5,645,990)	130,582,767
> 5 years	401,944,131	(144,480,264)	257,463,867
Total	671,881,858	(150,126,254)	521,755,604

As at June 30, 2014, had the prevailing interest rates increased or decreased by 1% (December 31, 2013 and January 1, 2013 - 1%), with all other variables held constant, net assets attributable to holders of redeemable units of the Fund would have indirectly decreased or increased, respectively, by approximately \$74,821 (December 31, 2013 - \$9,082,357 and January 1, 2013 - \$13,878,138). In practice, the actual results may differ from this analysis and the difference may be material.

Marret High Yield Strategies Fund

Fund Specific Notes to the Financial Statements (unaudited) (cont'd)

Fair Value Hierarchy

The tables below summarize the inputs used by the Fund in valuing the Fund's investments and derivatives carried at fair value.

as at June 30, 2014

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Bonds	-	2,270,758	33,586,896	35,857,654
Equities	-	-	-	-
Total	-	2,270,758	33,586,896	35,857,654

as at December 31, 2013

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Bonds	-	15,125	-	15,125
Forward purchase agreement	-	333,411,354	-	333,411,354
Total	-	333,426,479	-	333,426,479

as at January 1, 2013

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Bonds	-	15,392	-	15,392
Forward purchase agreement	-	669,825,439	-	669,825,439
Total	-	669,840,831	-	669,840,831

Level 3

The table below summarize the movement in financial instruments classified as Level 3.

for the period ended June 30, 2014

Currency	Balance, Beginning of Period (\$)	Purchases (\$)	Sales (\$)	Net Transfers (\$)	Realized Gains (Losses) (\$)	Change in Unrealized Appreciation (Depreciation) ⁽¹⁾ (\$)	Balance, End of Period (\$)
Bonds	-	-	-	35,854,746	-	2,908	35,857,654
Equities	-	-	-	-	-	-	-
Total	-	-	-	35,854,746	-	2,908	35,857,654

⁽¹⁾ Total change in unrealized appreciation (depreciation) related to investments still held at June 30, 2014 was \$2,908.

Upon settlement of Forward Purchase Agreement on May 30, 2014, two private securities held by the Marret HYS Trust were transferred into the Fund and classified as Level 3.

As at June 30, 2014, the potential impact of using reasonable possible alternative assumptions for valuing Level 3 financial instruments would increase their fair value by up to \$4,422,583 or decrease their fair value by up to \$10,161,706.

Marret High Yield Strategies Fund

Schedule of Investment Portfolio as at June 30, 2014 (unaudited)

No. of Shares/ Par Value	Description	Average Cost (\$)	Fair Value (\$)
CANADIAN BONDS			
Canadian Corporate Bonds (99.03%)			
3,421,854	Cline Mining Corp., Convertible, Restricted, 10.000%, 2014/06/15	2,395,298	2,395,298
35,297,000	Cline Mining Corp., Restricted, 10.000%, 2014/06/15 (USD)	26,926,670	26,926,670
1,451,000	Data & Audio Visual Enterprises Wireless Inc., Callable, 9.500%, 2018/04/29	1,414,725	1,416,539
875,000	Data & Audio Visual Enterprises Wireless Inc., Callable, 9.500%, 2018/04/29	853,125	854,219
8,529,857	Data & Audio-Visual Enterprises Holdings Inc., 15.500%, 2014/06/30	4,264,928	4,264,928
20,987,222	Data & Audio-Visual Enterprises Holdings Inc., Pay-In-Kind, Callable, 15.000%, 2018/09/25	-	-
	Total Bonds (99.03%)	35,854,746	35,857,654
CANADA EQUITIES			
Canadian Equities (0.00%)			
6,734,300	Cline Mining Corp., Warrants, 2015/05/14	-	-
267,717	Data & Audio-Visual Enterprises Holdings Inc., Class 'B', Warrants, 2018/09/25	-	-
114,142	Data & Audio-Visual Enterprises Holdings Inc., Warrants, 2018/09/25	-	-
53,471	Pacific Coal Resources Ltd., Warrants, 2016/03/14	-	-
348,500	Xinergy Ltd., Warrants, 2017/08/13	-	-
	Total Equities (0.00%)	-	-
	Total Investments (99.03%)	35,854,746	35,857,654
	Other Assets, Less Liabilities (0.97%)		351,148
	Net Assets Attributable to Holders of Redeemable Units (100.00%)		36,208,802

Percentages shown in brackets relate investments at fair value to net assets attributable to holders of redeemable units of the Fund. The accompanying notes are an integral part of these financial statements.

1. FUND ACTIVITIES

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

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

The Fund made additional offerings of units in October 2010, September 2011, and February 2012. In October 2010, net proceeds of \$167.3 million (net of issue costs of \$7.4 million) were raised in an offering and exercise of the over-allotment option to brokers, on the issuance of 15,666,109 units. In September 2011, net proceeds of \$225.3 million (net of issue cost of \$9.8 million) were raised in an offering and exercise of the over-allotment option to brokers on the issuance of 21,275,000 units. In February 2012, net proceeds of \$215.2 million (net of issue cost of \$9.4 million) were raised in an offering and exercise of the over-allotment option to brokers on the issuance of 21,085,000 units. On February 28, 2013, the Fund completed a private placement for net proceeds of \$7.9 million (net of issue costs of \$0.3 million) on the issuance of 812,000 units.

In December 2013, CI Financial Corp. completed its acquisition of 65% of the issued and outstanding common shares of the Manager. The effective closing date of this transaction was November 29, 2013. CI Financial Corp. is a diversified wealth management company publically traded on the Toronto Stock Exchange (the "TSX") under the symbol CIX.

The address of the Fund's registered office is 200 King Street West, M5H 3T4 Toronto, Ontario. These financial statements are authorized for issue by the Manager on August 21, 2014.

The Fund's investment objectives are:

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

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

Prior to May 30, 2014

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

The Fund will partially settle the Forward Purchase Agreement prior to the Termination Date in order to fund (i) redemptions, distributions, and repurchases of units; and (ii) operating expenses and other liabilities of the Funds. Pursuant to the terms of the Forward Purchase Agreement, the Counterparty will, in connection with a requested partial settlement deliver to the Fund securities of certain issuers in the portfolio of securities based on the partial settlement amount.

The Counterparty is The Bank of Nova Scotia rated AA by the Dominion Bond Rating Service. Until the additional offering in February 2012, the obligations of the Counterparty under the Forward Purchase Agreement were unsecured. Due to regulatory changes prior to the February 2012 offering, the February 2012 offering was collateralized by a portfolio of TSX listed equity securities. Following the closing and to address future partial settlements, it was agreed that 26% of the Forward Purchase Agreement would be collateralized on an ongoing basis. The collateral is for the benefit of all units, not just those issued in the February 2012 opening. Fees paid to the Counterparty were \$391,694 (June 30, 2013 - \$887,591).

After May 30, 2014

The termination date for the Fund was May 30, 2014 (the "Termination Date"). The Fund will continue after the Termination Date in order to hold two private securities (the "Private Portfolio") that remain from the Portfolio. The proceeds of the Portfolio other than the Private Portfolio were distributed to the Unitholders of the Fund.

Pursuant to the Forward Purchase Agreement, on May 30, 2014 the Counterparty acquired the portfolio other than the Private Portfolio having a value based on the economic return provided by the portfolio securities from inception to the Termination Date. The Portfolio is held by the Trust. Under the Forward Purchase Agreement, the Counterparty delivered, on the Termination Date, a specified portfolio of securities with an aggregate value equal to the distribution proceeds of all of the corresponding units of the Trust, net of any amount then owing by the Fund to the Counterparty.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These financial statements have been prepared in compliance with *International Financial Reporting Standards* ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting* and IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The Fund adopted this basis of accounting on January 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in the Part V of the CICA Canada Handbook - Accounting ("Canadian GAAP"). The comparative information has been restated from Canadian GAAP to IFRS. The Fund has applied accounting policies consistent with IFRS used in the preparation of its statement of financial position at January 1, 2013 and throughout all periods presented and as if these policies had always been in effect. Note 8 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

The policies applied in these interim financial statements are based on IFRS requirements applicable as of August 21, 2014. Any subsequent changes to IFRS that are given effect in the Fund's annual financial statements for the year ending December 31, 2014 could result in restatement of these interim financial statements, including the transition adjustments recognized on transition to IFRS.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with IFRS.

The following is a summary of the significant accounting policies of the Fund:

(a) Financial instruments

The Fund recognizes financial instruments at fair value upon initial recognition, inclusive of transaction costs in the case of financial instruments measured at amortized cost. Purchases and sales of financial assets are recognized at their trade date. The Fund's investments and derivative assets and liabilities are measured at fair value through profit or loss ("FVTPL"). The Fund's obligations for net assets attributable to holders of redeemable units are presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's stated rates of interest. There were no differences between the net asset value ("NAV") used for transactions with unitholders and the net assets attributable to holders of redeemable units used for reporting purposes under IFRS.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or termination of the contracts.

(b) Valuation of investments

At the financial reporting date, listed securities are valued based on the last traded market price for financial assets and financial liabilities where the last traded price falls within the day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the existing marked conditions. Unlisted securities are valued based on price quotations from recognized investment dealers, or failing that, their fair value is determined by the Manager on the basis of the latest reported information available. Fixed income securities, debentures and other debt instruments including short-term investments, are valued at the quotation from recognized investment dealers. Underlying Funds are valued on each business day at their net asset value as reported by the Underlying Fund's manager.

(c) Financial assets and liabilities at fair value

The Fund classifies its investments in equity, fixed income securities, and derivatives as financial assets or financial liabilities at fair value through profit or loss.

This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

Financial assets or financial liabilities held for trading

A financial asset or financial liability is classified as held for trading ("HFT") if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. The Fund's derivative instruments are categorized as HFT.

Financial assets or financial liabilities designated at fair value through profit or loss at inception

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as HFT but are managed, and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's financial instruments excluding derivative instruments are designated as FVTPL.

(d) Commissions and other portfolio transaction costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities, are included in "Commissions and other portfolio transaction costs" in the Statements of Comprehensive Income.

(e) Investment transactions and income recognition

Investment transactions are recorded on the trade date – the date on which the Fund commits to purchase or sell the investment.

The interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund and is accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Dividends and distributions from investments are recognized on the ex-dividend/ex-distribution date.

Distributions received from income trust holdings are recorded as income, capital gains or a return of capital, based on the best information available to the Manager. Due to the nature of these investments, actual allocations could vary from this information. Distributions from income trusts that are treated as a return of capital for income tax purposes reduce the average cost of the underlying income trust.

(f) Foreign exchange

The Fund subscriptions and redemptions are denominated in Canadian dollars, which is also the Fund's functional and presentation currency. Foreign currency amounts are translated into the functional currency as follows: fair value of investments, foreign currency forward contracts and other assets and liabilities at the closing rate of exchange on each business day; income and expenses, purchases and sales and settlements of investments at the rate of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) relating to cash are presented as "Foreign exchange gain (loss)" and those relating to other financial assets and liabilities are presented within "Net realized gain (loss) on sale of investments and derivatives" and "Change in unrealized appreciation (depreciation) in value of investments and derivatives" in the Statements of Comprehensive Income.

(g) Forward purchase agreement

The fair value of the Forward Purchase Agreement is the value that would be realized if, as of any date, the Forward Purchase Agreement was settled in accordance with its terms, in which case the value shall be determined with reference to the fair market value of the underlying investments of the Trust using closing sale prices. If no sale has taken place that day, valuation will be at the average of the bid and ask price. The value takes into account amounts equal to other assets including cash, prepaids and distributions receivable, less the liabilities of the Trust on such date. The change in unrealized appreciation/depreciation on the Forward Purchase Agreement and the realized gains/losses on partial settlements on the Forward Purchase Agreement are included in the Statements of Comprehensive Income.

(h) Unit valuation

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

(i) Increase (decrease) in net assets attributable to holders of redeemable units per unit

Increase (decrease) in net assets attributable to holders of redeemable units per unit in the Statements of Comprehensive Income is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the weighted average number of units outstanding during the period.

(j) Issuance costs

Issue costs associated with the offering have been recorded as a reduction to assets attributable to holders of redeemable units during the period in which they were incurred. The amount represents a one-time charge in connection with the offering and was paid out of the gross proceeds of the offering.

4. REDEEMABLE UNITS

Units issued and outstanding represent the capital of the Fund.

The Manager is responsible for managing the Fund's investments in line with its mandate and the affairs of the Fund.

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

Annual Redemptions

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

On May 30, 2014, the Manager suspended the annual redemptions.

Monthly Redemptions

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

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

On May 30, 2014, the Manager suspended any further monthly redemptions.

Notes to the Financial Statements (unaudited) (cont'd)

For the periods ended June 30, net capital transactions of the Fund consisted of the following:

	2014	2013
Redeemable units at the, beginning of period	36,789,967	68,758,811
Redeemable units issued for cash	-	812,000
Redeemable units issued on reinvested distributions	-	-
Redeemable units redeemed - Issuer Bid [^]	-	(2,115,700)
Redeemable units redeemed	(60,965)	(6,870)
Redeemable units at the, end of period	36,729,002	67,448,241

[^] These units were purchased and cancelled pursuant to issuer bid programs. The bid programs permit the purchase of units (see limits below) at prices which are less than the net asset value per Unit at the time of purchase (subject to certain other conditions including 30 day purchase limitations). The initial bid program ran from May 10, 2012 until May 9, 2013 and permitted the purchase of a maximum of 8,074,890 units. There were 4,418,100 units purchased under the initial bid program. A second bid program commenced May 10, 2013 and expires May 9, 2014 and permits the purchase of a maximum of 6,777,871 units. The Fund did not renew its issuer bid program.

5. FEES AND EXPENSES

The Fund retained Marret Asset Management Inc., under an administration agreement (the "Administration Agreement") dated May 28, 2009 to administer all of the ongoing operations of the Fund. In consideration for the services provided by the Manager, the Fund pays a management fee equal to 0.25% per annum of the net asset value of the Fund (or 1.00% in total when combined with the management fee paid by the Trust). The management fee is calculated daily and payable monthly in arrears, plus applicable taxes. The total management fees (inclusive of taxes) earned by Marret Asset Management Inc. for the period ended June 30, 2014 were \$359,001 (June 30, 2013 - \$892,729), of which nil (June 30, 2013 - \$146,310) remained payable.

The Manager is also paid a service amount calculated and paid as soon as practicable after the end of each calendar quarter, equal to 0.40% per annum of the net asset value attributable to the units plus applicable taxes. The service fee is in turn paid to the investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter.

The Fund will pay to the Counterparty an additional amount under the Forward Purchase Agreement, calculated weekly and payable quarterly in arrears. The amount was initially 0.25% per annum of the notional amount of the Forward Purchase Agreement (being effectively equal to the net asset value of the Trust). Effective February 21, 2012 the rate changed to 0.276% per annum.

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

6. INCOME TAXES

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

During the period ended June 30, 2014, the Fund made monthly cash distributions which totaled \$0.20 (June 30, 2013 - \$0.30) per unit. On May 30, 2014, the Fund paid a return of capital distribution which totaled \$7.54 per unit.

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

7. FINANCIAL INSTRUMENT RISK MANAGEMENT

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

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

Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is a geographical allocation, product type, industry sector or counterparty.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The main concentration of credit risk would be investments in debt instruments and derivatives. The fair value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer and therefore represents the maximum credit exposure of the Fund.

Liquidity Risk

The Fund is exposed to annual and monthly redemptions. The Fund invests in investments that are illiquid. There can be no assurance that an adequate market for the Fund's investments will exist at all times, or that the prices at which the underlying investments trade, accurately reflect their net asset values. All liabilities are due in less than 3 months. Certain Data Audio & Visual Enterprises and Cline Mining Corp bond positions owned by the Fund are considered illiquid and represent 99% of the Fund's net assets at June 30, 2014.

Market Risk

The Fund's investments are subject to market risk which is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market conditions.

Other Price Risk

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

Currency Risk

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

Interest Rate Risk

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

Fair Value Hierarchy

The Fund classifies its financial instruments that are carried at fair value using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the hierarchy are as follows:

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

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

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

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

The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

Details of the Fund's exposure to financial instruments risks including concentration risk and the fair value hierarchy classification are available in the "Fund Specific Notes to Financial Statements".

8. TRANSITION TO IFRS

The effects of the Fund's transition to IFRS are as follows:

Transition elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies*.

Classification of redeemable units issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32, *Financial Instruments: Presentation*, units of an entity that include a contractual obligation for the Issuer to repurchase or redeem the units for cash or another financial asset are required to be classified as financial liability. The Fund units have been reclassified as financial liabilities on transition to IFRS.

Revaluation of investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, *Financial Instruments – Recognition and Measurement*, which required the use of bid prices for long positions and ask prices for short positions; to the extent such prices were available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement*, which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. As a result, upon adoption of IFRS an adjustment was recognized to adjust the carrying amount of the Fund's investments as well as to adjust the Fund's increase (decrease) in net assets attributable to holders of redeemable units.

Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS

Equity Reconciliation

	December 31, 2013	June 30, 2013	January 1, 2013
	(in \$)	(in \$)	(in \$)
Equity as reported under Canadian GAAP	331,011,022	619,838,259	670,731,877
Revaluation of investments at FVTPL	-	-	1
Net assets attributable to holders of redeemable units	331,011,022	619,838,259	670,731,878

Comprehensive Income Reconciliation

	December 31, 2013	June 30, 2013
	(in \$)	(in \$)
Comprehensive income as reported under Canadian GAAP	(11,183,163)	(18,451,590)
Revaluation of investments at fair value through profit or loss	-	-
Increase (decrease) in net assets attributable to holders of redeemable units	(11,183,163)	(18,451,590)

Reclassification adjustments

The Fund did not have any reclassified amounts to its financial statements presentation upon transition to IFRS.



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