

2014 Semi-Annual Management Report of Fund Performance

for the period ended June 30, 2014



Marret High Yield Strategies Fund

This semi-annual management report of fund performance contains financial highlights but does not contain the complete semi-annual or annual financial statements of the investment trust. You can get a copy of the semi-annual or annual financial statements at your request, and at no cost, by calling 416-214-5800, by writing to us at Marret Asset Management Inc., 200 King Street West, Suite 1902, Toronto, Ontario M5H 3T4 or by visiting our website at www.marret.ca or SEDAR at www.sedar.com.

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

Marret High Yield Strategies Fund

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RESULTS OF OPERATIONS

The Fund's net asset value decreased by \$294.8 million to \$36.2 million from December 31, 2013 to June 30, 2014. The Fund had net redemptions of \$0.4 million for the period. The Fund paid distributions totaling \$284.3 million while the portfolio's performance decreased assets by \$10.1 million. The Fund's six-month return was -2.6%, compared to the returns of the benchmark of 5.6%. The benchmark is the BofA Merrill Lynch U.S. High Yield Master II Total Return Index.

The first half of the year produced strong returns in risk assets as well as government bonds. The S&P 500 Total Return Index gained 7.1% during the period while the S&P/TSX Composite Total Return Index jumped 12.9%. The BofA Merrill Lynch U.S. High Yield Master II Total Return Index returned 5.6% and the BofA Merrill Lynch Canadian High Yield Issuers Index was up 6.8%. Intermediate Term U.S. Treasuries posted a gain of 3.7% so far in 2014. The Fund underperformed the high yield market during the period, primarily due to the write down of two illiquid positions, Cline Mining Inc. and Data & Audio-Visual Enterprises Holdings Inc. (Mobicity).

RECENT DEVELOPMENTS

As previously announced, the Fund had been scheduled to terminate on May 30, 2014. The bulk of the Fund's assets were distributed to unit holders on June 16, 2014. Rather than terminate, the Fund will continue in order to hold two private positions; (Cline Mining and Mobicity the "Private Portfolio"). The Fund will continue to be listed. Our intention is to distribute the net proceeds from the Private Portfolio when the holdings are sold and the proceeds are received by the Fund. No ongoing management fee or other fees will be charged by Marret for overseeing the liquidation of the Private Portfolio.

Cline Mining

The rationale for the Cline write-down is the recognition that met coal prices have declined recently and we have seen some large companies shut in higher cost mines in response. It is important to note that we consider this prudent and conservative, but it does not change our long-term view of the company's assets nor does it imply that we are seeking a reduced price for Cline's assets. In April, Cline received \$9.8 million cash as a final settlement of claims that the company had outstanding against the Province of British Columbia, pursuant to which the company agreed to abandon certain coal licenses and applications. The company is seeking a buyer and the proceeds will be used to settle its debt obligations held by Marret.

During the second quarter, Cline completed its mine plan and began the fatal flaw analysis. The fatal flaw analysis is a second independent review of the major variables inherent in the mine plan to ensure validity. Once this is complete, a U.S. investment bank will implement a sales process for all the assets of Cline. Given the very weak state of met coal prices, it is likely that the sales process will not produce any acceptable interest.

Mobicity

It has been reported that Telus has terminated the proposed going concern transaction to purchase Mobicity. As a result, we have reduced the value of the bonds to reflect the uncertainty surrounding the potential sale or realization on the assets.

We originally made the investment in Mobicity on the premise that the spectrum the company controlled was in limited supply, would appreciate over time and would support the value of the company in a workout situation. The terms of the spectrum auction included a clause that precluded a sale of the spectrum to Bell, Telus or Rogers for a period of five years. This moratorium expired in February 2014. Despite this, the government has refused to approve the sale of Mobicity to Telus on the premise that it would hinder competition in the Canadian wireless industry. We are currently exploring legal options and alternative buyers/consolidation scenarios, but the government's stance has been detrimental to all investors in new entrant wireless companies.

International Financial Reporting Standards

Effective January 1, 2014, as required by the Canadian Accounting Standards Board ("AcSB") and the Ontario Securities Commission ("OSC"), the Fund has adopted International Financial Reporting Standards ("IFRS"), published by the International Accounting Standards Board ("IASB"), as the new accounting policies. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CICA Handbook ("Canadian GAAP"). Accordingly, the Fund's Semi-Annual Financial Statements as of June 30, 2014 including comparative information have been prepared in accordance with IFRS.

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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, 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 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 period ended June 30, 2014, the management fee, inclusive of applicable taxes, earned was \$359,001. The service amount paid/payable from the Fund, inclusive of applicable taxes, for the period ended June 30, 2014 was \$575,203.

Independent Review Committee

The Fund received standing instructions from the Independent Review Committee ("IRC") with respect to the following Related Party Transactions: trades in securities of CI Financial Corp. and Marret Resource Corp.

The applicable standing instructions require that Related Party Transactions be conducted in accordance with the Manager's policies and procedures. The Manager is required to advise the IRC of any material breach of a condition of the standing instructions. The standing instructions require, among other things, that the investment decision in respect to Related Party Transactions (a) are made by the Manager free from any influence by any entities related to the Manager and without taking into account any consideration to any affiliate of the Manager; (b) represent the business judgment of the Manager uninfluenced by considerations other than the best interests of the Fund; and (c) are made in compliance with the Manager's policies and procedures. Transactions made by the Manager under the standing instructions are subsequently reviewed by the IRC on a quarterly basis to monitor compliance.

The Fund relied on the IRC's standing instructions regarding Related Party Transactions during this reporting period.

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FINANCIAL HIGHLIGHTS

The following table shows selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past six periods, as applicable.

THE FUND'S NET ASSETS PER UNIT ^(1,2)

Class A	Six months	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
June 30, 2014	Dec. 31, 2013	Dec. 31, 2012 [^]	Dec. 31, 2011 [^]	Dec. 31, 2010 [^]	Dec. 31, 2009 [^]	
Commencement of operations June 17, 2009	\$	\$	\$	\$	\$	\$
Net assets at the beginning of period ⁽¹⁾	9.00	9.75	10.14	10.79	10.20	10.00
Issue expense ⁽⁷⁾	-	-	-	-	-	(0.56)
Increase (decrease) from operations:						
Total revenue	-	-	-	-	-	-
Total expenses (excluding distributions)	(0.04)	(0.10)	(0.10)	(0.11)	(0.11)	(0.06)
Realized gains (losses) for the period	0.73	0.63	0.23	0.14	0.12	0.03
Unrealized gains (losses) for the period	(0.96)	(0.73)	0.14	0.02	1.38	1.23
Total increase (decrease) from operations ⁽²⁾	(0.27)	(0.20)	0.27	0.05	1.39	1.20
Distributions:						
From net investment income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	(7.74)	(0.60)	(0.70)	(0.80)	(0.80)	(0.43)
Total distributions ^{(2),(3)}	(7.74)	(0.60)	(0.70)	(0.80)	(0.80)	(0.43)
Net assets at the end of the period shown ⁽¹⁾	0.99	9.00	9.75	10.14	10.79	10.20
Ratios and Supplemental Data						
Total net assets (\$)	36,208,802	331,011,022	670,731,877	605,283,673	414,311,288	231,901,872
Number of units outstanding	36,729,002	36,789,967	68,758,811	59,671,109	38,396,109	22,730,000
Portfolio turnover rate (%) ⁽⁵⁾	0.01	-	25.03	8.31	8.12	3.74
Trading expense ratio (%) ⁽⁶⁾	-	0.02	0.02	0.03	0.04	0.05
Management expense ratio (%) ⁽⁴⁾	1.01	2.80	4.48	4.81	6.46	9.06
Closing market price (\$)	0.37	8.00	9.48	11.06	11.31	10.68

[^] Historical figures are based on Canadian GAAP.

(1) This information is derived from the Fund's semi-annual and annual financial statements.

(2) 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 fiscal period.

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

(4) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) of the Fund for June 30, 2014 and of the Fund and Marret HYS Trust for the prior periods, including interest expense and issuance costs, and is expressed as an annualized percentage of daily average Net Asset Value of the period.

(5) 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 period. The higher the Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period. 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.

(6) 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.

(7) 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.

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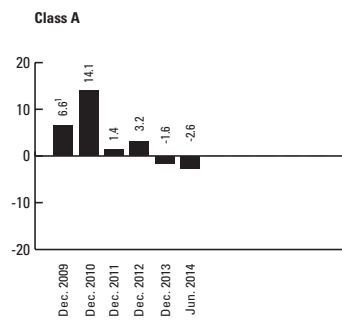
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PAST PERFORMANCE

This section describes how the Fund has performed in the past. Remember, past returns do not indicate how the Fund will perform in the future. The information shown assumes that distributions made by the Fund in the periods shown were reinvested in additional units of the Fund. In addition, the information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance.

Year-by-Year Returns

The following chart shows the Fund's semi-annual and annual performance for each of the periods shown, and illustrates how the Fund's performance has changed from period to period. In percentage terms, the chart shows how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period, except where noted.



¹This figure is for the period from June 17, 2009 to December 31, 2009.

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SUMMARY OF INVESTMENT PORTFOLIO as at June 30, 2014

Portfolio Breakdown		Portfolio Breakdown (cont'd)		Top Holdings	
Category	Percentage of Net Asset (%)	Category	Percentage of Net Asset (%)	Security Name	Percentage of Net Asset (%)
Country allocation:		Sector allocation:			
Canada	99.3	Canadian Corporate Bonds	99.3	Cline Mining Corp., Restricted, 10.000%, 2014/06/15 (USD)	74.4
Other Assets, Less Liabilities	0.7	Other Assets, Less Liabilities	0.7	Data & Audio-Visual Enterprises Holdings Inc., 15.500%, 2014/06/30	11.8
				Cline Mining Corp., Convertible, Restricted, 10.000%, 2014/06/15	6.6
				Data & Audio Visual Enterprises Wireless Inc., Callable, 9.500%, 2018/04/29	3.9
				Data & Audio Visual Enterprises Wireless Inc., Callable, 9.500%, 2018/04/29	2.4
				Data & Audio-Visual Enterprises Holdings Inc., Pay-In-Kind, Callable, 15.000%, 2018/09/25	-
				Cline Mining Corp., Warrants, 2015/05/14	-
				Data & Audio-Visual Enterprises Holdings Inc., Class 'B', Warrants, 2018/09/25	-
				Data & Audio-Visual Enterprises Holdings Inc., Warrants, 2018/09/25	-
				Pacific Coal Resources Ltd., Warrants, 2016/03/14	-
				Xinergy Ltd., Warrants, 2017/08/13	-
				Total Net Assets (in \$)	\$36,208,802

The summary of investment portfolio may change due to ongoing portfolio transactions and updates are available on a quarterly basis.

A NOTE ON FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective," and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause

actual events or results to differ materially from those expressed or implied in any forward-looking statement made by the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.