

**ANNUAL INFORMATION FORM**

**March 30, 2015**



**MARRET HIGH YIELD STRATEGIES FUND**

## FORWARD-LOOKING STATEMENTS

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

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

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

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

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

## Table of Contents

Name, Formation and History of the Fund.....	2
Investment Objectives and Restrictions.....	3
Description of Securities Offered by the Fund .....	7
Valuation of Portfolio Securities .....	10
Calculation of Net Asset Value .....	12
Purchases of Fund Units .....	12
Market Purchases.....	13
Redemptions of Units.....	13
Responsibility for Fund Operations .....	13
Brokerage Arrangements.....	17
Trustee .....	18
Custodian .....	19
Auditor .....	19
Transfer Agent and Registrar.....	19
Promoter.....	19
Conflicts of Interest.....	19
Fund Governance.....	22
Fees and Expenses.....	25
Canadian Federal Income Tax Considerations.....	25
Remuneration of Directors, Officers and Independent Review Committee Members	29
Legal and Administrative Proceedings .....	30
Risk Factors.....	30
Other Material Information.....	33

### **Name, Formation and History of the Fund**

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

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

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

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.

More information can be found about CI Financial Corp., its affiliates and subsidiaries on its website [www.cifinancial.com](http://www.cifinancial.com).

Pursuant to the Declaration of Trust, Equity Financial Trust Company has been appointed the trustee of the Fund (the "**Trustee**"). The Units trade on the TSX under the symbol MHY.UN. Through a forward agreement dated June 17, 2009 (the "**Forward Agreement**") between the Fund and the Bank of Nova Scotia (the "**Counterparty**"), the Fund was exposed to a portfolio of securities (the "**Portfolio**") held by Marret HYS Trust (the "**Trust**"). The Portfolio was comprised of debt securities and term loans that are generally rated at or below BB+ from Standard & Poor's or Ba1 or less from Moody's Investor Services, Inc., or a similar rating from a qualified rating agency in Canada (collectively, "**High Yield Debt**"). The Counterparty paid the Fund on May 30, 2014 (the "**Termination Date**") the economic return provided by the Portfolio. The Portfolio was managed by the Manager.

The Fund distributed the cash proceeds from the settlement of the Forward Agreement to Unitholders on June 16, 2014 representing approximately 86.46% of the assets of the Portfolio. Approximately 13.54% of the Portfolio was invested in two illiquid securities: Cline Mining Corporation ("**Cline**") and Data & Audio Visual Enterprises Holdings Inc. ("**Mobility**") (Cline and Mobility, collectively the "**Private Portfolio**"). The Private Portfolio was acquired by the Fund, and the Trust terminated pursuant to its constating documents.

The Fund will distribute the net proceeds from the Private Portfolio (net of any expenses associated with the disposal thereof) when proceeds are received by the Fund. The Fund will continue until such time as the Private Portfolio is sold. No ongoing management or other fees will be charged by the Manager for overseeing the liquidation of the Private Portfolio and the winding up of the Fund.

The TSX has permitted the Fund to maintain the listing of its Units, but its decision may be reevaluated at any time.

## **Investment Objectives and Restrictions**

### *Securities Law Matters*

The Fund is a non-redeemable investment fund subject to, and managed in accordance with, certain restrictions and practices contained in securities legislation, including National Instrument 81-102 - *Investment Funds* (formerly, National Instrument 81-102 - *Mutual Funds*) ("**NI 81-102**"), subject to certain transitional provisions. The Fund is also subject to certain other requirements and restrictions contained in applicable securities laws, including National Instrument 81-106 - *Investment Fund Continuous Disclosure* ("**NI 81-106**"), which governs the continuous disclosure obligations of investment funds, such as the Fund. Such restrictions and practices are designed in part to ensure that the investments of the Fund are diversified and relatively liquid and to ensure the proper administration of the Fund.

The Fund relies on an independent review committee ("**IRC**") to carry out those responsibilities required to be undertaken pursuant to National Instrument 81-107 - *Independent Review Committee for Investment Funds* ("**NI 81-107**"), including reviewing each conflict of interest matter referred by the Manager to the IRC for its recommendation or approval, conducting

regular assessments as required by NI 81-107 and reporting to Unitholders and the Manager on at least an annual basis, as required by NI 81-107.

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

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

### *Investment Objectives*

**The Fund is currently terminating pursuant to its Declaration of Trust which provides that, to the extent that the affairs of the Fund have not been completely wound up and all of the assets distributed to Unitholders on or prior to the Termination Date, the Declaration of Trust shall continue in force and effect to the extent necessary or desirable to permit the Trustee to complete the winding up of the affairs of the Fund and distribute the remaining assets to Unitholders as soon as practicable and, in such event, the Trustee shall carry on no activities on behalf of the Fund except for the purpose of winding up the affairs of the Fund.**

Previously, and up until the Termination Date, the Fund was created to achieve the following investment objectives (the "**Investment Objectives**") as set out in the Declaration of Trust: (i) to maximize total returns for Unitholders, consisting of both tax-advantaged distributions and capital appreciation and reducing risk; and (ii) to provide Unitholders with attractive monthly tax advantaged distributions, initially targeted to be 8.00% per annum on the original issue price of \$10.00 per Unit by obtaining exposure to the Portfolio, which is focused primarily on High Yield Debt. To achieve exposure to the Portfolio, the Fund entered into the Forward Agreement with the Counterparty. The Fund pre-paid in cash or in kind its purchase obligations under the Forward Agreement, and the Counterparty agreed to deliver to the Fund on the Termination Date (or earlier in whole or in part at the request of the Fund) a specified portfolio of TSX-listed Canadian public issuers that are "Canadian securities" (the "**Canadian Securities Portfolio**") as defined in the *Income Tax Act* (Canada) (the "**Tax Act**") with an aggregate value equal to the redemption proceeds of the relevant number of units of the Trust, net of any amount owing by the Fund to the Counterparty. The Forward Agreement settled pursuant to its terms on the Termination Date.

**The Fund has reached its scheduled Termination Date, the Forward Agreement has settled pursuant to its terms, and the liquid assets have been distributed to Unitholders. The**

**Manager is currently attempting to liquidate the Private Portfolio. As such, there are no regular monthly distributions.**

*Investment Restrictions*

The Declaration of Trust requires that investments of the Fund be made in accordance with the Investment Objectives and subject to the investment restrictions (the “**Investment Restrictions**”) set out in the Declaration of Trust. Any change in the Investment Objectives or Investment Restrictions may only be undertaken with the approval of the Unitholders by an extraordinary resolution passed by at least two-thirds of the votes cast at a meeting of Unitholders called for such purpose (an “**Extraordinary Resolution**”), unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by the applicable regulatory authorities from time to time. A meeting of Unitholders may be convened by the Trustee at any time, and must be convened by the Trustee if requisitioned by Unitholders holding not less than 10% of the then outstanding Units by a written requisition specifying the purpose of the meeting.

**As the Fund is terminating, it is only seeking to liquidate the Private Portfolio at this time.**

*Investment Restrictions - Tax Matters*

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

During the year ended December 31, 2014, the Fund did not deviate from the rules under the Tax Act that apply to the status of the Units as qualified investments within the meaning of the Tax Act for Registered Plans. Provided that the Units are listed on a designated stock exchange for the purposes of the Tax Act (which includes the TSX) or the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, the Units will continue to be qualified investments under the Tax Act for Registered Plans.

The TSX has permitted the Units to maintain their listing on the TSX, beyond the Fund’s scheduled termination date, but may reevaluate its decision at any point.

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

Considerations – Taxation of Registered Plans” regarding proposed amendments to the Tax Act dealing with “prohibited investments”.

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

- (a) with respect to the securities acquired pursuant to the Forward Agreement, purchase any securities other than “Canadian securities” for the purposes of the Tax Act;
- (b) purchase the securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, the Fund would be required to make a take-over bid that is a “formal bid” for the purposes of applicable securities laws;
- (c) make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” for purposes of the Tax Act and will not acquire any property that would be “taxable Canadian property” of the Fund as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof); or
- (d) make or hold any investment that would result in the Fund being subject to the tax for specified investment flow-through (“SIFT”) trusts as provided for in section 122 of the Tax Act.

## **Private Portfolio**

### *Cline*

As at February 28, 2015, approximately 81.2% of the Fund was invested in Cline secured bonds and warrants. Cline is a corporation subsisting under the laws of the Province of British Columbia. The head office and registered office of Cline is located in Toronto, Ontario. Cline is a reporting issuer under the securities legislation of all the provinces of Canada. Cline is in the business of locating, exploring and developing mineral resource properties. Through its wholly-owned subsidiaries, Cline owns, or holds an interest in, metallurgical coal and gold properties in Canada and the United States, and iron ore and uranium properties in Madagascar.

In July 2012, Cline suspended operations of its only operating asset in Colorado, which operations have not subsequently resumed. Cline has been unable to pay interest on the bonds held by the Fund since 2012, and the debt is now in default.

Given the continued deterioration in the coal markets, Cline initiated restructuring proceedings in Canada and the U.S. on December 3, 2014 as Cline was unable to sell its assets at a reasonable valuation, nor meet its obligations to its secured and unsecured creditors, including the Fund. The proposed restructuring, in its current form, is supported by the Manager and if all approvals are obtained, would result in the Fund receiving a new secured term loan in addition to a proportionate share of equity in Cline equal to the Fund’s proportion of outstanding debt in



Cline, in exchange for the existing notes. Completion of the process would allow Cline to simplify its corporate structure and provide additional cost cutting opportunities.

The Manager is currently seeking exemptive relief in order to permit the proposed restructuring to proceed. If the restructuring proceeds as currently planned, there is a possibility the Fund will be treated as a SIFT trust in 2015 if income is earned on “non-portfolio earnings” (within the meaning of the Tax Act) and will be subject to tax.

The Manager has written down the net asset value of Cline due to the significant decline in coal prices since the end of 2013 (Seaborne Hard Coking Coal contract price declined from \$152 to \$120 per tonne), and the additional glut of assets competing with the Cline coal asset for buyers. In these circumstances, the Manager has concluded that there is a heightened risk that it would take significantly longer to realize on the value of this investment.

### *Mobility*

Mobility is the other security in the Private Portfolio. As at February 28, 2015 approximately 18.8% of the Fund was invested in Mobility bonds. Mobility owns a mobile communications network, including wireless spectrum licenses.

The Fund originally made the investment in Mobility 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 Canadian government has refused to approve the sale of Mobility to Telus on the premise that it would hinder competition in the Canadian wireless industry. The government’s stance has been detrimental to all investors in the new entrant wireless companies.

It was reported mid 2014 that Telus terminated the proposed going concern transaction to purchase Mobility. As a result, the Manager reduced the value of the bonds to reflect the uncertainty surrounding the potential sale or realization on the assets.

Mobility continues to explore potential alternatives and has been engaged in discussions with several parties who have expressed interests in advancing a transaction involving the company. Several of the proposed alternatives were related to the AWS-3 spectrum auction, which has recently concluded. The rules of the spectrum auction did not allow Mobility to have discussions with other participants in the month leading up to the auction, and the company anticipates having further strategic discussions now that the auction has finished. Mobility is currently operating on a cash flow breakeven basis, and its business operations and customer base have been fairly stable.

### **Description of Securities Offered by the Fund**

The beneficial interest in the net assets and net income of the Fund is divided into Units. The Fund is authorized to issue an unlimited number of Units. Each Unit entitles the holder to the

same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units.

### *Voting Rights*

Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains, if any. On the redemption of Units, however, the Fund may in its sole discretion, designate payable to redeeming Unitholders, as part of the redemption price, any capital gains realized by the Fund in the taxation year in which the redemption occurred. On termination or liquidation of the Fund, the Unitholders of record are entitled to receive on a *pro rata* basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. Unitholders will have no voting rights in respect of securities held by the Fund.

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

### *Distributions*

The Declaration of Trust provides that the Fund will make monthly distributions to Unitholders at the discretion of the Trustee, upon the advice of the Manager. The Fund has made all its scheduled monthly distributions up until the Termination Date paying \$0.05 per Unit. The Fund has ceased making monthly distributions while it is in the process of terminating. Upon liquidation of the Private Portfolio, the Fund will distribute the net proceeds (net of any expenses associated with the disposal thereof) to Unitholders.

### *Amendments to the Declaration of Trust*

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

- (a) the removal of the Trustee or any of its affiliates as the trustee of the Fund;
- (b) any change in the Investment Objectives or Investment Restrictions unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (c) any material change in the Management Agreement or change in the Manager, other than a change in the Manager where the new manager is an affiliate of the Manager;

- (d) any increase in the management payable to the Manager by the Fund (the “**Management Fee**”);
- (e) any amendment, modification or variation in the provisions or rights attaching to the Units;
- (f) any change in frequency of calculating net asset value per Unit to less often than weekly;
- (g) the issuance of additional Units, including any offering of rights, warrants or options to existing Unitholders to acquire Units, other than: (i) for net proceeds per Unit equal to or greater than 100% of the most recently calculated net asset value per Unit calculated prior to the entering into of the commitment by the subscriber to purchase such Units or prior to the offering, as the case may be; or (ii) by way of Unit distribution;
- (h) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course of business;
- (i) any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interest of the Unitholders or otherwise in accordance with the terms of the Declaration of Trust; and
- (j) any amendment to the above provisions except as permitted by the Declaration of Trust.

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

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

(e) provide added protection or benefit to Unitholders; or

(f) make such modifications as may be necessary or desirable in connection with the termination of the Forward Agreement prior to the Termination Date as a result of the termination of the Fund.

### *Termination of the Fund*

The Fund is currently in the process of terminating as it has reached its Termination Date and was not extended. The liquid proceeds of the Fund were distributed to Unitholders on June 16, 2014. The Manager continues to attempt to liquidate the Private Portfolio. In accordance with the Declaration of Trust, the Fund shall continue until such time as the Private Portfolio can be liquidated. Unitholders will be entitled to the proceeds of the Private Portfolio (net of any expenses associated with the disposal thereof). No ongoing management or other fees will be charged by Marret for overseeing the liquidation of the Private Portfolio and the winding up of the Fund.

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

### **Valuation of Portfolio Securities**

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

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

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

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

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

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

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

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

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

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

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

(i) the value of any security or property to which, in the opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent

quotations are available as above provided, or for any other reason) will be the fair value thereof determined in good faith in such manner as the Manager from time to time adopts.

The net asset value per Unit is calculated in Canadian dollars in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. National Instrument 81-106 - *Investment Fund Continuous Disclosure* requires each fund to calculate its net asset value by determining the fair value of its assets and liabilities. In doing so, each fund calculates the fair value of its assets and liabilities using the valuation policies described above. This may differ from Canadian Generally Accepted Accounting Principles ("**Canadian GAAP**") which currently require the fair value of long positions to be determined using bid prices and the fair value of short positions to be determined using ask prices. The financial statements of each fund will contain a comparison of the net assets in accordance with Canadian GAAP and the net asset value used by the fund for all other purposes, if applicable. Since January 1, 2014, the funds adopted International Financial Reporting Standards ("**IFRS**"). Under IFRS net asset value for financial reporting purposes will generally align with the net asset value calculation policies described above, eliminating a need for a comparison in the financial statements.

### **Calculation of Net Asset Value**

The Manager will calculate the net asset value per Unit as at the time at which trading closes on the TSX on each Valuation Date. The Manager has obtained discretionary relief from the applicable securities regulators to permit it to calculate net asset value per Unit only on each Valuation Date. At a minimum, the Valuation Date will be Thursday of each week, or if any Thursday is not a "**Business Day**" (any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the Toronto Stock Exchange is not open for trading), the immediately preceding Business Day, and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the net asset value per Unit (each, a "**Valuation Date**"). The Fund will make available to the financial press for publication on a weekly basis, the net asset value per Unit. Such amount will also be available on the Manager's website at [www.marret.com](http://www.marret.com) at no cost.

### **Purchases of Fund Units**

All of the currently issued and outstanding Units were issued in connection with the initial public offering of the Fund on June 17, 2009 and the additional offering of Units on October 7, 2010, October 18, 2010, September 7, 2011, September 16, 2011, February 21, 2012, February 28, 2012, and February 28, 2013, respectively. In addition, Units may be issued from time to time in the Manager's discretion, subject to the terms of the Declaration of Trust; Units may not be issued for net proceeds per Unit less than the most recently calculated net asset value per Unit prior to the date of the setting of the subscription price by the Fund.

The Units are listed on the TSX under the symbol MHY.UN. Registration of interests in and transfers of Units are made only through the book-entry only system administered by CDS Clearing and Depository Service Inc. ("**CDS**"). Unitholders may purchase or sell Units at any time the TSX is open for business. Units must be purchased, converted, transferred and

surrendered for redemption through a broker, dealer, bank other financial institution or other person for whom, from time to time, CDS effects book entries for the book-entry only Units deposited with CDS (a “**CDS Participant**”). All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, Unitholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased. Unitholders or potential Unitholders may be required to compensate their dealer for any losses suffered by the dealer in connection with a failed settlement of Units caused by the Unitholder or potential Unitholder.

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

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

### **Market Purchases**

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

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

### **Redemptions of Units**

The Fund has reached its Termination Date and is in the process of terminating. There are currently no redemption rights for Unitholders. The Fund will distribute the net proceeds from the Private Portfolio (net of any expenses associated with the disposal thereof) when proceeds are received by the Fund.

### **Responsibility for Fund Operations**

#### **Manager**

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

manager of the Fund pursuant to the terms of the Declaration of Trust and the Management Agreement.

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

### *Directors and Officers of the Manager*

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

<u>Name and Municipality of Residence</u>	<u>Position with the Manager</u>	<u>Principal Occupation in the last 5 Years</u>
Barry Allan Toronto, Ontario	President, Chief Executive Officer, Chief Investment Officer, and Director	President, Chief Executive Officer, Chief Investment Officer, and Director since November 2000
Sheila A. Murray Toronto, Ontario	Director	Executive Vice-President, General Counsel and Secretary, CI Financial Corp. since February 2009
David Poster Toronto, Ontario	Director	Vice-President, Finance, CI Investments Inc. since January 2011 Before January 2011, Corporate Financial Analyst, CI Investments Inc. since April 2006
Margaret Franklin Toronto, Ontario	President, Private Wealth Division	President, Private Wealth Division since December, 2012 Before December 2012, President, Kinsale Private Wealth Inc. since January 2010 Before December 2012, Partner, Business Development, KJ Harrison & Partners Inc. since August 2002
Janet Gillies Toronto, Ontario	Chief Compliance Officer	Vice-President, Compliance, CI Investments Inc. since November 2007



<u>Name and Municipality of Residence</u>	<u>Position with the Manager</u>	<u>Principal Occupation in the last 5 Years</u>
Douglas J. Jamieson Toronto, Ontario	Chief Financial Officer	Executive Vice-President and Chief Financial Officer, CI Investments Inc. since June 2013
		Executive Vice-President and Chief Financial Officer, CI Financial Corp. since June 2013
		Before June 2013, Senior Vice-President and Chief Financial Officer, CI Financial Corp. since December 2008
Herpal Sandhu Mississauga, Ontario	Vice-President	Vice-President, Portfolio Manager since 2009
Adrian Prenc, CFA, FRM Toronto, Ontario	Vice-President	Vice-President, Portfolio Manager since 2002

#### ***Duties and Services to be Provided by the Manager***

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

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

Under the terms of the Declaration of Trust and the Management Agreement, the Manager is responsible for providing, or causing to be provided, management, portfolio management and administrative services and facilities to the Fund, including, without limitation; (a) authorizing and paying expenses incurred on behalf of the Fund; (b) appointing the Custodian, registrar and transfer agent, auditors, legal counsel and other organizations or professionals serving the Fund; (c) providing office space and facilities; (d) preparing accounting, management and other reports, including such interim and annual reports to Unitholders, financial statements, tax

reporting to Unitholders and income tax returns as may be required by applicable law; (e) monitoring the ability of the Fund to pay distributions; (f) communicating with Unitholders; (g) ensuring that the net asset value per Unit is calculated and published; (h) ensuring that the Fund complies with all regulatory requirements and applicable stock exchange listing rules and requirements; (i) calling meetings of Unitholders as required; and (j) providing such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund.

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

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

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

### **Portfolio Advisor**

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

Barry Allan founded Marret in 2000 and leads the investment team. Mr. Allan has over 30 years of investment experience and spent the six years prior to founding Marret as a high yield

portfolio manager at Altamira Management Ltd., a prominent employee-owned firm that was later sold to a Canadian chartered bank. Prior to Altamira Management Ltd., Mr. Allan was on the trading desks at Nesbitt Thompson and Company and a Canadian chartered bank.

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

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

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

The Manager's investment team includes the following credit analysts:

<u>Name</u>	<u>Industry Specialization</u>
Adrian Prenc, CFA, FRM	Industrial products, basic materials and automotive
Gordon McKay, CFA	Telecommunications and technology, homebuilders and hotels, food and beverage and transportation

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

### **Brokerage Arrangements**

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

The Manager's allocation of brokerage business to companies, including those that furnish statistical, research or other services to the Fund, is based on decisions made by the portfolio managers, analysts and traders of the Manager and will only be made in compliance with

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

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

The name of any dealer or third party that provides research and/or order execution goods and services through a brokerage arrangement to the Manager and its advisors or sub-advisors on behalf of the Fund will be provided upon request by contacting the Manager at (416) 214-5800 or at email [investors@marret.com](mailto:investors@marret.com).

## **Trustee**

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

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

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

## **Custodian**

CIBC Mellon Trust Company (the “**Custodian**”) at its office in Toronto, Ontario, is responsible for safekeeping of all the investments and other assets of the Fund delivered to it (but not those assets of the Fund not directly controlled or held by the Custodian, as the case may be). The Custodian may employ sub-custodians as considered appropriate in the circumstances. Subject to certain exemptions as set out in the Custodian Agreement dated June 16, 2009, the Custodian is not responsible for any ongoing assessment, adequacy or monitoring of or any liability for any loan or credit facility or any liability for holding or controlling any property of the Fund pledged to a counterparty and not directly held by the Custodian. The Manager may terminate the Custodian Agreement immediately, if the Custodian party becomes insolvent, or makes an assignment for the benefit of creditors, or a petition in bankruptcy is filed by or against the Custodian and is not discharged within thirty (30) days, or proceedings for the appointment of a receiver for that party are commenced and not discontinued within thirty (30) days.

## **Auditor**

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Accountants, PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario M5J 0B2.

## **Transfer Agent and Registrar**

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

## **Promoter**

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

## **Conflicts of Interest**

### *Principal Unitholders*

As at February 28, 2015:

- To the knowledge of the Fund, no person or company owned, directly or indirectly, more than 10% of the Units of the Fund.
- CI Financial Corp. was the recorded beneficial owner of 65% of the outstanding common shares of the Manager.
- Barry Allan owned, directly or indirectly, in aggregate, 18.15% of the outstanding common shares of the Manager (1,069 common shares of record and 746 common shares beneficially).

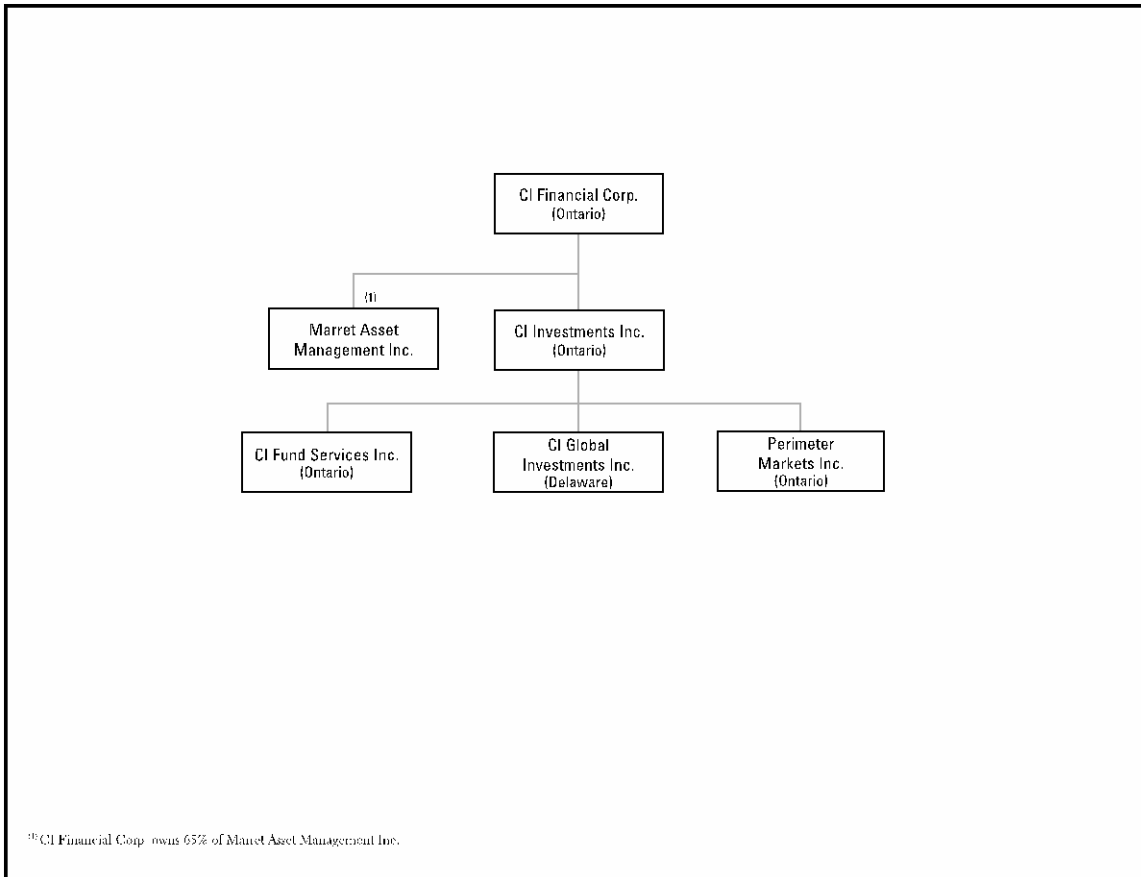
- The directors and senior officers of the Manager, as a group, owned 21.85% of the common shares of the Manager.
- The directors and senior officers of the Manager, as a group, beneficially owned, directly or indirectly, less than one percent of the outstanding Units of the Fund.
- The directors and senior officers of the Manager owned, directly or indirectly, in aggregate, less than 1% of the outstanding common shares of CI Financial Corp.

***Securities Held by Members of the Independent Review Committee***

As of February 28, 2015, the members of the IRC did not own, directly or indirectly, any securities in the Manager or any Units of the Fund. Further, as at February 28, 2015, the percentage of securities in any person or company that provides services to the Fund or the Manager, beneficially owned, directly or indirectly, in aggregate, by all IRC members of the Fund is less than 1%.

***Affiliated Entities***

The following diagram illustrates the relationship between the Manager and its affiliated entities that provide services to the Fund:



The fees to be received from the Fund by the affiliated entities shall be set out in the audited financial statements of the Fund.

The following table identifies each director and senior officer of the Manager who is also a director or senior officer of an affiliated entity described above:

<b>Director/Officer of the Manager</b>	<b>Relationship with Affiliated Entity</b>
Janet Gillies	Vice-President, Compliance, CI Investments Inc. Chief Compliance Officer, CI Investments Inc. Vice-President, Compliance, CI Fund Services Inc. Chief Compliance Officer, CI Global Investments Inc.
Sheila A. Murray	Executive Vice-President, General Counsel and Secretary, CI Financial Corp. Executive Vice-President, CI Investments Inc.
Douglas J. Jamieson	Executive Vice-President and Chief Financial Officer, CI Financial Corp. Executive Vice-President and Chief Financial Officer, CI Investments Inc. Director, Chief Financial Officer, President and Ultimate Designated Person, CI Fund Services Inc. Director, Chief Financial Officer and Senior Vice-President, CI Global Investments Inc. Director and Chief Financial Officer, CI Investments Services GP Ltd. Director, Perimeter Markets Inc.

### ***Conflicts of Interest***

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

The services of Marret are not exclusive to the Fund. Marret and its affiliates and associates (as defined in the *Securities Act* (Ontario)) may, at any time, engage in the promotion or management of any other fund, trust or investment portfolio. Marret may in the future act as the manager or investment advisor to other funds and companies and may in the future act as the manager or investment advisor to other funds which invest in debt securities and which are considered competitors of the Fund. Since Marret will continue to manage the investments of its other clients, Marret may acquire or dispose of the same investment for the Fund and for one or more of its other clients. However, because of the different investment policies, Marret may

be selling an investment for one client and buying the same investment for another client. Marret has agreed to allocate opportunities to acquire and dispose of investments fairly among the Fund and its other clients.

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

## Fund Governance

### *Independent Review Committee*

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

<b>Name and municipality of residence</b>	<b>Principal occupation in the last 5 years</b>
William Harding Haliburton, Ontario	Managing Partner, Alpine Asset Advisors AG since 2000
Stuart P. Hensman Toronto, Ontario	Corporate director since June 2004
Christopher M. Hopper Toronto, Ontario	President, KLQ Mechanical Ltd. since September 2007
James M. Werry Toronto, Ontario	Corporate director since 2003
Sharon M. Ranson Toronto, Ontario	Director, The Ranson Group since March 2004 (resigned effective March 31, 2014)
Mary M. Robertson Toronto, Ontario	Managing Director, Financial Institution, Scotiabank since 2012 (appointed to IRC on September 25, 2014)
John Reucassel Toronto, Ontario	President, The International Group since March 2014 (appointed to IRC on March 26, 2015) Prior to March 2014, Managing Director at BMO Capital Markets since November 2002.

Mary Robertson replaced Sharon Ranson after her resignation in March 2014. John Reucassel was appointed to the IRC as a sixth member effective March 26, 2015. Since March 2014, John Reucassel has been President of The International Group, a privately owned specialty chemicals manufacturer located in Toronto. Prior to this appointment, Mr. Reucassel worked at BMO



Capital Markets for 16 years and was a top-ranked sell-side equity analyst covering the financial services industry, including banks, insurers, and asset managers.

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

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

### *General*

The Manager is responsible for the governance of the Fund. Please see "*Directors and Officers of the Manager*" herein for information regarding members of the Manager's board of directors. Fund governance refers to the policies, practices and guidelines of the Fund that relates to business practices, sales practices and internal conflicts of interest.

The board of directors of the Manager has established appropriate policies, practices and guidelines relating to the business practices, sales practices, risk management controls and internal conflicts of interest. Since the Fund is terminating, it is not actively seeking new investments.

### *Securities Lending and Similar Arrangements*

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

### *Proxy Voting Policies and Procedures*

The Fund has adopted the Manager's proxy voting policy (the "**Proxy Voting Policy**"), which provides general guidance, in compliance with applicable legislation, for the voting of proxies. It is the policy of the Manager to exercise the voting rights of the Fund in accordance with the best interests of the Fund at all times.

The exercise of voting rights generally requires the ongoing review of the corporate governance and performance of management of an issuer and the consideration of the potential impact of a vote on the value of the issuer's securities held by the Fund. In order to discharge its obligations under its policy, the Manager will access and utilize research and other information respecting management performance and corporate governance issues obtained primarily from its own due diligence and, where necessary, from consultants or recognized research firms having the applicable market expertise in the business of the relevant issuer.

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

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

### *Short-Term Trading*

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

### *Information and Reports to Unitholders*

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

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

## **Fees and Expenses**

### **Fees and Expenses of the Fund**

#### *Management Fee*

Since the Termination Date, the Manager has not charged management fee to the Fund and does not intend to charge one.

#### *Trustee Fee*

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

#### *Ongoing Expenses of the Fund*

The Fund pays for all of its expenses incurred in connection with its operation and administration, estimated to be \$105,000 for 2014. The Fund is also responsible for its costs of portfolio transactions and any extraordinary expenses that may be incurred from time to time. The Manager anticipates the costs for 2015 will be significantly lower, given the Fund is terminating.

#### *Additional Services*

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

## **Fees and Expenses of the Manager**

### **Canadian Federal Income Tax Considerations**

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund, and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

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

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

### **Status of the Fund**

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

**If the proposed restructuring of Cline proceeds, there is a possibility the Fund will be treated as a SIFT trust. This could have adverse tax consequences for the Fund and Unitholders. The Tax Act imposes tax on certain income earned by a SIFT trust. Income earned, if any, from Cline could be considered “non-portfolio earnings” and be subject to tax. Unitholders should consult their own tax advisors on the impact of the Fund being treated as a SIFT trust.**

### **Taxation of the Fund**

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

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

The Tax Act includes "loss restriction event" ("LRE") rules that could potentially apply to the Fund. In general, a fund is subject to a LRE if a person (or group of persons) acquires more than 50% of the fair market value of the units of the Fund. If a LRE occurs (i) the Fund will be deemed to have a year-end for tax purposes immediately before the occurs, (ii) any net income and net realized capital gains of the Fund at such year-end will be distributed to unitholders of the Fund to the extent required for the Fund not to be liable for income taxes, and (iii) the Fund will be restricted in its ability to use tax losses (including any unrealized capital losses) that exist at the time of the LRE.

On October 20, 2014, the Department of Finance released draft legislation to provide some relief from the LRE rules as they apply to trusts. The government proposes a broad-based exemption for investment funds. There are two principal conditions that a trust must meet to be an investment fund and thereby qualify for an exemption from the LRE rules: one condition relates to the status of the trust for tax purposes and the other condition relates to the assets owned by the trust. There is also relief from some of the administrative and compliance burdens that would otherwise follow from an LRE for a trust for any situations not covered by the investment funds exemption. These relieving provisions were enacted on December 16, 2014.

### **Taxation of Unitholders**

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

On the disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholders' proceeds of disposition (net of any reasonable costs of disposition) exceed (or are less than) the adjusted cost base of the Unit. For the purpose of determining the adjusted cost base to a Unitholder of a Unit, when a Unit is acquired, the cost

of the newly acquired Unit will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property that were acquired before that time. For this purpose, the cost of Units that have been issued as a distribution from the Fund will generally be equal to the amount of the net income or capital gain distributed to the Unitholder in Units.

One-half of any capital gain (“**Taxable Capital Gain**”) realized on the disposition of Units will be included in the Unitholder’s income and one-half of any capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

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

### **Taxation of Registered Plans**

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

In general, a Unitholder that holds Units of the Fund in a registered plan will not be liable to tax on net income, net realized capital gains paid or payable by the Fund to, or capital gains realized by, the Unitholder until these amounts are withdrawn from the registered plan (other than a tax-free savings account). Holders of tax-free savings accounts and annuitants of Registered Retirement Savings Plans and Registered Retirement Income Funds should consult with their own tax advisors as to whether Units of the Fund would be a “prohibited investment” under the Income Tax Act in their particular circumstances.

Unitholders should consult with their tax advisor about the special rules that apply to each particular registered plan.

### **Taxation Implications of the Fund’s Distribution Policy**

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

### **Foreign Account Tax Compliance**

Pursuant to the *Foreign Account Tax Compliance Act* (“**FATCA**”), the Fund is required to provide identity, residency and certain other information on Unitholders who are U.S. persons or provide information on accounts held by certain other persons or entities to U.S. and/or Canadian tax authorities to avoid a 30% U.S. withholding tax from being applied to certain payments. These payments include certain U.S. source income (i.e., interest, dividends, and other types of passive income (“**FDAP income**”)) and gross proceeds from the sale or other disposition of property that can produce U.S. source interest or dividends (collectively referred to as “**withholdable payments**”) made to non-U.S. financial institutions. By investing in the fund and providing residency and identity information, through the dealer, the Unitholder is deemed to consent to the fund disclosing such information to U.S. and/or Canadian tax authorities. The governments of the U.S. and Canada entered into an Intergovernmental Agreement (the “**IGA**”) on February 5, 2014. The IGA establishes a framework for cooperation and information sharing between the two countries and provides an alternative for non-U.S. financial institutions in Canada, including the Fund, to comply with FATCA. Penalties may apply under Canadian law to Canadian entities and account holders that fail to comply with their FATCA obligations. Although the fund will attempt to satisfy FATCA obligations imposed on it, no assurance can be given that the fund will be successful. Any U.S. federal withholding imposed as a result would reduce returns to investors in the fund. Investors should consult their own tax advisors regarding the possible implications of this legislation on their investment and the entities through which they hold their investment.

#### **Remuneration of Directors, Officers and Independent Review Committee Members**

The officers of the Manager receive their remuneration from the Manager. The directors of the Manager do not receive any director fees. Compensation for members of the IRC in respect of the Fund is currently \$9,500 per member per annum. The expenses of the directors of the Manager and the premiums for directors’ and officers’ insurance coverage for the directors and officers of the Manager are paid by the Manager. The fees and other reasonable expenses of members of the IRC, as well as premiums for insurance coverage for such members, are paid by the Fund and other applicable investment funds managed by the Manager on a pro rata basis. In addition, the Fund has agreed to indemnify the members of the IRC against certain liabilities. The total amount of the fees and expenses of the IRC members paid by the Fund for the year ended December 31, 2014 was \$45,125.

#### *Remuneration of the Trustee*

Pursuant to the Declaration of Trust, the Trustee is entitled to be paid a fee for services provided to the Fund as trustee of the Fund and to be reimbursed for all expenses which are reasonably incurred by the Trustee in that capacity. For the year ended December 31, 2014, the Trustee was paid an aggregate amount of \$5,650, on account of its fee and reimbursed in aggregate \$0 on account of expenses incurred by it in its capacity as trustee of the Fund.

#### **Material Contracts**

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

- (a) Declaration of Trust;

- (b) Management Agreement; and
- (c) Custodian Agreement.

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

### **Legal and Administrative Proceedings**

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

### **Risk Factors**

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

#### ***TSX Listing***

There is no assurance the TSX will allow the Fund to remain listed for trading. The TSX may reconsider the listing at any time. If the TSX decides to delist the Fund, it may no longer qualify as a registered investment under the Income Tax Act.

#### ***Cline Risk***

There is no assurance that the Fund will be able to liquidate its position in Cline in a timely fashion or at all, or that coal markets will recover adequately in order for Cline to repay its obligations to the Fund. There is no assurance the proposed restructuring of Cline will proceed which could further delay a sale and increase costs and uncertainty associated with Cline. Currently no market exists for the Fund's holdings in Cline, and one may not develop. The actual realizable value of the investment in Cline may vary significantly based on certain events including, but not limited to, comparable transactions and coal prices.

#### ***Mobilicity Risk***

There is no assurance that an adequate market will exist for Mobilicity and it cannot be predicted whether it will trade at a discount to, a premium to, or at the respective par or net asset value. There is no assurance that the Fund will be able to liquidate its position in Mobilicity in a timely fashion. It is not certain what steps the government may or may not take to permit the sale of Mobilicity and how this will impact the valuation of the security. The actual realizable value of the investment in Mobilicity may vary significantly based on certain events including, but not limited to, government or regulatory action and results of wireless spectrum auctions.



### *Trading Price of Units*

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

### *Loss of Investment*

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

### *General Risks of Investing in Bonds*

Generally, bonds will decrease in value when interest rates rise and increase in value when interest rates decline. The net asset value of the Fund will fluctuate with interest rate changes and the corresponding changes in the value of the securities in the Portfolio. The value of bonds is also affected by the risk of default in the payment of interest and principal and price changes due to such factors as general economic conditions and the issuer's creditworthiness. Corporate bonds may not pay interest or their issuers may default on their obligations to pay interest and/or principal amounts. Certain of the bonds that may be included in the Fund from time to time may be unsecured, which will increase the risk of loss in case of default or insolvency of the issuer. Even though the Fund's holdings in Cline are secured, there is no guarantee the Fund will be able to recover more than its original investment.

### *Risks of Investing in High Yield Debt*

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

### *Fluctuation in Value of Securities*

The value of the Units will vary according to the value of the securities. The value of the securities included in the Portfolio will be influenced by factors which are not within the control of the Manager, including the financial performance of the respective issuers, operational risks relating to the specific business activities of the respective issuers, quality of assets owned by the respective issuers, commodity prices, risks associated with issuers operating outside of Canada, exchange rates, interest rates, environmental risks, political risks, issues relating to government regulation, credit markets and other financial market conditions. The Fund will also be subject to the risks inherent in investments in equity securities, including the risk that

the financial condition of the issuers in which the Fund invests may become impaired or that the general condition of the stock markets may deteriorate. Equity securities are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in, and perceptions of, the issuers change.

### *Composition of Fund*

The composition of the securities included in the Fund taken as a whole may vary widely from time to time and may be concentrated by commodity, industry or geography, resulting in the securities included in the Fund being less diversified than anticipated. Overweighting investments in certain sectors or industries involves risk that the Fund will suffer a loss because of declines in the prices of securities in those sectors or industries. 81.2% of the assets of the Fund are invested in a single issuer, Cline, and the remaining 18.8% are invested in Mobilicity.

### *Reliance on the Manager*

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

### *No Ownership Interest*

Unitholders will not own the securities held by the Fund by virtue of owning Units.

### *Changes in Legislation*

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

### *Conflicts of Interest – the Fund*

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

### *Status of the Fund*

As the Fund is not a mutual fund as defined under Canadian securities laws. The Fund is subject certain provisions of NI 81-102, but not all the same provisions as open-ended mutual funds are.

### ***Not a Trust Company***

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

### ***Nature of Units***

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

### **Other Material Information**

#### ***Private Portfolio***

The Fund has reached its scheduled Termination Date, the Forward Agreement has settled pursuant to its terms, and the liquid assets have been distributed to Unitholders. At the Termination Date approximately 13.54% of the Fund’s assets were made up of the Private Portfolio. The Private Portfolio are the only assets that remain in the Fund and the Manager is actively trying to sell these assets. The Fund is not actively seeking new investments. The Fund will distribute the net proceeds from the Private Portfolio (net of any expenses associated with the disposal thereof) when proceeds are received by the Fund. The Fund will continue until such time as the Private Portfolio is sold. No ongoing management or other fees will be charged by Marret for overseeing the liquidation of the Private Portfolio and the winding up of the Fund.

## MARRET HIGH YIELD STRATEGIES FUND



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