

# 2015 Semi-Annual Management Report of Fund Performance

for the period ended June 30, 2015



## Marret High Yield Strategies Fund

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

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

# Marret High Yield Strategies Fund

*Management Report of Fund Performance for the period ended June 30, 2015*

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## RESULTS OF OPERATIONS

The Fund's net assets increased by \$16.7 million to \$52.9 million from December 31, 2014 to June 30, 2015. The Fund's six-month return was 46.5%, compared to the returns of the benchmark of 8.8%. The benchmark is the Bank of America Merrill Lynch U.S. High Yield Total Return Index. During the period the Fund provided absolute returns and outperformed the benchmark.

As previously announced, the Fund has continued in order to hold two private securities, Cline Mining Corporation ("Cline") and Data & Audio Visual Enterprises Holdings Inc. ("Mobicity"), (the "Private Portfolio"). Our intention is to distribute the net proceeds from the Private Portfolio when the holdings are sold and the proceeds are received by the Fund. No ongoing management fee will be charged for overseeing the liquidation of the Private Portfolio.

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.

## RECENT DEVELOPMENTS

### *Mobicity*

As announced on June 24, 2015, Mobicity agreed to a sale of its assets to Rogers Communications for a purchase price of \$465 million subject to certain adjustments. Subsequent to June 30, 2015, the sale was completed and the proceeds are being held in escrow by the monitor awaiting a hearing about the distribution of the proceeds. It is unclear at this point how long it will be before the distribution of proceeds will be settled.

### *Cline Mining*

Cline has been focused on completing a restructuring through the Companies' Creditors Arrangement Act (CCAA), reducing costs, improving liquidity with non-essential asset sales, maintaining the safety integrity of the New Elk Coal Mine in Colorado, and pursuing a sale of the company. Subsequent to June 30, 2015, pursuant to a court approved Plan of Compromise and Arrangement, creditors of Cline, including the Fund, were issued new debt and equity securities with equivalent value as prior to CCAA protection.

The market for metallurgical coal, like many commodities, has deteriorated during the first half of the year mainly due to economic weakness in China and strength in the U.S. dollar. The market is currently in excess supply and forecasts are for this condition to remain for perhaps the next year or two. We believe the market balance will come from supply reductions rather than demand increases. This process is underway as higher cost mines, particularly in British Columbia, have been shut in. Contract prices fell below \$100/tonne in the second quarter and are essentially at record lows. The bottoming process is underway, but it may be a multi-year process before prices begin to rise. The rising U.S. dollar disadvantages U.S. mines and generally provides a cost advantage to Australian production. One offset is that Cline's debt is denominated in Canadian dollars which tend to move in the same direction as Australian dollars.

## RELATED PARTY TRANSACTIONS

### **Manager**

Marret Asset Management Inc. is the Manager of the Fund.

### **Independent Review Committee**

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

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

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

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## FINANCIAL HIGHLIGHTS

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

### THE FUND'S NET ASSETS PER UNIT <sup>(1,2,8)</sup>

Class A	Six months	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
Jun. 30, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012 <sup>^</sup>	Dec. 31, 2011 <sup>^</sup>	Dec. 31, 2010 <sup>^</sup>	Dec. 31, 2009 <sup>^</sup>
Commencement of operations June 17, 2009	\$	\$	\$	\$	\$	\$
Net assets at the beginning of period <sup>(1)</sup>	0.99	9.00	9.75	10.14	10.79	10.20
<b>Increase (decrease) from operations:</b>						
Total revenue	0.16	-	-	-	-	-
Total expenses (excluding distributions)	-	(0.04)	(0.10)	(0.10)	(0.11)	(0.11)
Realized gains (losses) for the period	-	0.73	0.63	0.23	0.14	0.12
Unrealized gains (losses) for the period	0.30	(0.96)	(0.73)	0.14	0.02	1.38
Total increase (decrease) from operations <sup>(2)</sup>	0.46	(0.27)	(0.20)	0.27	0.05	1.39
<b>Distributions:</b>						
From net investment income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	(7.74)	(0.60)	(0.70)	(0.80)	(0.80)
Total distributions <sup>(2),(3)</sup>	-	(7.74)	(0.60)	(0.70)	(0.80)	(0.80)
Net assets at the end of the period shown <sup>(1)</sup>	1.44	0.99	9.00	9.75	10.14	10.79
<b>Ratios and Supplemental Data</b>						
Total net assets (\$) <sup>(6)</sup>	52,888,757	36,180,984	331,011,022	670,731,877	605,283,673	414,311,288
Number of units outstanding <sup>(6)</sup>	36,729,002	36,729,002	36,789,967	68,758,811	59,671,109	38,396,109
Portfolio turnover rate (%) <sup>(5)</sup>	-	0.01	-	25.03	8.31	8.12
Trading expense ratio (%) <sup>(6)</sup>	-	0.01	0.02	0.02	0.03	0.04
Management expense ratio after taxes (%) <sup>(4)</sup>	0.68	0.93	2.80	4.48	4.81	6.46
Closing market price (\$)	0.59	0.11	8.00	9.48	11.06	11.31

<sup>^</sup> Historical figures are based on Canadian GAAP, for more details refer to footnote 7.

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

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

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

(4) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) of the Fund for June 30, 2015 and of the Fund and Marret HYS Trust for the prior periods, including interest expense and issuance costs, and is expressed as an annualized percentage of daily average Net Asset Value of the period.

(5) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of investments during the period.

(6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value of the Fund during the period.

(7) For financial years beginning on or after January 1, 2013 the financial highlights are derived from the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS allows net assets to be calculated based on the last traded market price for financial assets and financial liabilities where the last traded price falls within the day's bid-ask spread. There are no differences between the net assets calculated for purpose of processing unitholders transactions and the net assets attributable to holders of redeemable units used for financial statement reporting purposes as at June 30, 2015, December 31, 2014 and December 31, 2013. For financial years before January 1, 2013, the financial highlights are derived from the financial statements prepared in accordance with Canadian GAAP. Under Canadian GAAP net assets for financial statement purposes were calculated based on bid/ask price while for purpose of processing unitholder transactions net assets were calculated based on the closing market price.

(8) This information is provided for the period ended June 30, 2015 and the years ended December 31.

# Marret High Yield Strategies Fund

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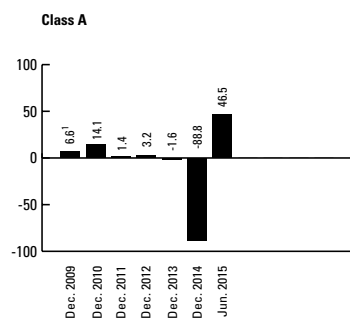
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## PAST PERFORMANCE

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

### Year-by-Year Returns

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



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

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## SUMMARY OF INVESTMENT PORTFOLIO as at June 30, 2015

Portfolio Breakdown		Portfolio Breakdown (cont'd)		Top Holdings	
Category	Percentage of Net Asset (%)	Category	Percentage of Net Asset (%)	Security Name	Percentage of Net Asset (%)
<b>Country allocation</b>		<b>Sector allocation</b>			
Canada	88.7	Canadian Corporate Bonds	88.7	Cline Mining Corp., Restricted, 10.000%, 2014/06/15 (USD)	50.9
Other Assets, Less Liabilities	11.3	Other Assets, Less Liabilities	11.3	Data & Audio-Visual Enterprises Holdings Inc., 15.500%, 2014/06/30	16.1
				Data & Audio-Visual Enterprises Holdings Inc., Pay-In-Kind, Callable, 15.000%, 2018/09/25	12.7
				Cline Mining Corp., Convertible, Restricted, 10.000%, 2014/06/15	4.5
				Data & Audio Visual Enterprises Wireless Inc., Callable, 9.500%, 2018/04/29	2.7
				Data & Audio Visual Enterprises Wireless Inc., Callable, 9.500%, 2018/04/29	1.7
				Data & Audio-Visual Enterprises Holdings Inc., Class 'B', Warrants, 2018/09/25	-
				Data & Audio-Visual Enterprises Holdings Inc., Warrants, 2018/09/25	-
				Pacific Coal Resources Ltd., Warrants, 2016/03/14	-
				Xinergy Ltd., Warrants, 2017/08/13	-
				<b>Total Net Assets (in \$)</b>	<b>\$52,888,757</b>

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

### A NOTE ON FORWARD-LOOKING STATEMENTS

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

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

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

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