Annual Financial Statements - December 31, 2022

MARRET ASSET MANAGEMENT INC.

Marret High Yield Strategies Fund

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Independent auditor’s report

To the Unitholders and Trustee of Marret High Yield Strategies Fund (the Fund)

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Fund’s financial statements comprise:

- the statements of financial position as at December 31, 2022 and 2021;
- the statements of comprehensive income for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statement* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Annual Management Report of Fund Performance.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jennifer Kelenc.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 31, 2023

Marret High Yield Strategies Fund

Financial Statements

Statements of Financial Position

as at December 31 (in $ except for per unit amounts and units outstanding)

	2022	2021
Assets		
Current assets		
Investments	9,519,903	13,283,585
Cash	117,404	128,201
Receivable for investments sold	-	-
Receivable for unit subscriptions	-	-
Interest receivable	-	-
Dividends receivable	-	-
Other assets	1,740	91,265
Derivative assets	-	-
	9,639,047	13,503,051
Liabilities		
Current liabilities		
Bank overdraft	-	-
Payable for investments purchased	-	-
Payable for unit redemptions	-	-
Management fees payable	-	-
Other accrued expenses	67,948	12,447
Distributions payable to holders of redeemable units	-	-
Derivative liabilities	-	-
	67,948	12,447
Net assets attributable to holders of redeemable units	9,571,099	13,490,604
Net assets attributable to holders of redeemable units per unit:		
Class A	0.26	0.37
Number of redeemable units outstanding:		
Class A	36,729,002	36,729,002

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

Statements of Comprehensive Income

for the years ended December 31 (in $ except for per unit amounts and number of units)

	2022	2021
Income		
Net gain (loss) on investments and derivatives		
Dividends	-	-
Interest for distribution purposes	2,215	7,185
Net realized gain (loss) on sale of investments and derivatives	-	-
Net realized foreign exchange gain (loss) on investments and derivatives	-	-
Change in unrealized appreciation (depreciation) in value of investments and derivatives	(3,763,682)	1,979,680
Total net gain (loss) on investments and derivatives	(3,761,467)	1,986,865
Other income		
Net realized foreign exchange gain (loss) on cash	-	-
Change in unrealized foreign exchange gain (loss) on cash	172	(18)
Other income	-	8,889
Total other income	172	8,871
Total income	(3,761,295)	1,995,736
Expenses		
Management fees (Note 5)	-	-
Operating fees	-	-
Fund administration expense	-	-
Audit fees	20,340	28,090
Legal fees	16,500	20,280
Trustee fees	-	-
Transfer agent fees	8,272	12,579
Custodial and administrative fees	11,300	10,582
Independent review committee fees	-	-
Unitholders reporting costs	-	-
Commissions and other portfolio transaction costs	-	-
Professional fees	-	-
Regulatory fees	18,729	36,629
Other expenses	83,069	37,628
Interest expense	-	-
Withholding taxes	-	-
Total expenses	158,210	145,788
Increase (decrease) in net assets attributable to holders of redeemable units	(3,919,505)	1,849,948
Increase (decrease) in net assets attributable to holders of redeemable units per unit:		
Class A	(0.11)	0.05
Weighted average number of units:		
Class A	36,729,002	36,729,002

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

Marret High Yield Strategies Fund

Financial Statements

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

for the years ended December 31 (in $)

	2022	2021
Class A		
Net assets attributable to holders of redeemable units at the beginning of year	13,490,604	16,840,014
Increase (decrease) in net assets attributable to holders of redeemable units	(3,919,505)	1,849,948
Distributions to holders of redeemable units		
From net investment income	-	-
From net realized gains	-	-
Return of capital	-	(5,199,358)
Total distributions to holders of redeemable units	-	(5,199,358)
Redeemable unit transactions		
Proceeds from redeemable units issued	-	-
Reinvestment of distributions to holders of redeemable units	-	-
Redemption of redeemable units	-	-
Net increase (decrease) from redeemable unit transactions	-	-
Net increase (decrease) in net assets attributable to holders of redeemable units	(3,919,505)	(3,349,410)
Net assets attributable to holders of redeemable units at the end of year	9,571,099	13,490,604

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

Marret High Yield Strategies Fund

Financial Statements

Statements of Cash Flows

for the years ended December 31 (in $)

	2022	2021
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	(3,919,505)	1,849,948
Adjustments for:		
Net realized (gain) loss on sale of investments and derivatives	-	-
Change in unrealized (appreciation) depreciation in value of investments and derivatives	3,763,682	(1,979,680)
Change in unrealized foreign exchange (gain) loss on cash	(172)	18
Proceeds from sale and maturity of investments and derivatives^	-	6,378,337
Purchase of investments and derivatives	-	(999,860)
(Increase) decrease in interest receivable	-	-
(Increase) decrease in dividends receivable	-	-
(Increase) decrease in other assets	89,525	(91,265)
Increase (decrease) in other accrued expenses	55,501	(94,746)
Net cash from (used in) operating activities	(10,969)	5,062,752
Cash flows from (used in) financing activities		
Proceeds from issuance of redeemable units	-	-
Amounts paid on redemption of redeemable units	-	-
Distributions paid to holders of redeemable units, net of reinvested distributions	-	(5,199,358)
Net cash from (used in) financing activities	-	(5,199,358)
Change in unrealized foreign exchange gain (loss) on cash	172	(18)
Net increase (decrease) in cash	(10,969)	(136,606)
Cash (bank overdraft), beginning of year	128,201	264,825
Cash (bank overdraft), end of year	117,404	128,201
Supplementary Information:		
Dividends received, net of withholding tax*	-	-
Interest received, net of withholding tax*	2,215	7,185
Dividends paid*	-	-
Interest paid*	-	-

^Sales represent repayments of bonds.

**Dividends and interest received as well as dividends and interest paid relate to operating activities of the Fund.*

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

Marret High Yield Strategies Fund

Schedule of Investment Portfolio as at December 31, 2022

Number of Shares/ Par Value	Description	Average Cost ($)	Fair Value ($)
	CANADIAN BONDS		
	Canadian Corporate Bonds (99.47%)		
20,330,758	Cline Mining Corp., Floating Rate, 2030/07/08	20,330,758	8,742,226
1,808,550	Cline Mining Corp., Floating Rate, 2030/07/08	1,808,550	777,677
		22,139,308	**9,519,903**
	Total Canadian Bonds (99.47%)	**22,139,308**	**9,519,903**
	CANADIAN EQUITIES		
	Canadian Equities (0.00%)		
6,878,247	Cline Mining Corp., Convertible	1,768,969	-
		1,768,969	-
	Total Canadian Equities (0.00%)	**1,768,969**	-
	Less: Commissions and other portfolio transaction costs	-	
	Total Investments (99.47%)	**23,908,277**	9,519,903
	Other Assets, Less Liabilities (0.53%)		51,196
	Net Assets Attributable to Holders of Redeemable Units (100.00%)		**9,571,099**

Percentages shown relate investments at fair value to net assets attributable to holders of redeemable units of the Fund.

Marret High Yield Strategies Fund

Fund Specific Notes to Financial Statements

Redeemable Unit Transactions (Note 6)
for the years ended December 31

	2022	2021
Class A		
Number of redeemable units at the beginning of year	36,729,002	36,729,002
Redeemable units issued for cash	-	-
Redeemable units issued for reinvested distributions	-	-
Redeemable units redeemed	-	-
Number of redeemable units at the end of year	36,729,002	36,729,002

Loss Carry Forwards (Note 6)
as at December 31 (in $)

	2022
Capital loss carried forward:	20
Non-capital losses expiring:	
2032	2,319,000
2033	1,030,508
2034	-
2035	-
2036	74,299
2037	60,076
2038	79,881
2039	60,327
2040	43,157
2041	129,694
2042	155,464
Total Non-capital losses	3,952,406

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

Marret High Yield Strategies Fund

Fund Specific Notes to Financial Statements

Financial Instruments Risks (Note 7)

Concentration Risk

For Concentration Risk as at December 31, 2022, refer to the Schedule of Investment Portfolio.

The table below summarizes the Fund's exposure to concentration risk.

as at December 31, 2021

	% of Net Assets Attributable to Holders of Redeemable Units
Canadian Corporate Bonds	98.47
Total Bonds	98.47
Canadian Equities	-
Total Equities	-
Total Investments	98.47

Credit Risk

The Fund was invested in fixed income securities, preferred securities and derivative instruments, if any, with the following credit ratings, as per the tables below.

as at December 31, 2022

	% of Net Assets Attributable to Holders of Redeemable Units		
Credit Rating^	**Long**	**Short**	**Net**
Unrated	99.47	-	99.47
Total	99.47	-	99.47

as at December 31, 2021

	% of Net Assets Attributable to Holders of Redeemable Units		
Credit Rating^	**Long**	**Short**	**Net**
Unrated	98.47	-	98.47
Total	98.47	-	98.47

^Credit ratings are obtained from S&P Global Ratings, where available, otherwise ratings are obtained from: Moody's Investors Service or Dominion Bond Rating Service, respectively.

Other Price Risk

As at December 31, 2022 and 2021, the other price risk exposure of the Fund was incorporated in the Level 3 Sensitivity disclosure due to the nature of the Cline holdings.

Currency Risk

As at December 31, 2022 and 2021, the Fund had no significant exposure to currency risk as the Fund's investments were primarily denominated in Canadian dollars, the functional currency of the Fund.

Interest Rate Risk

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

as at December 31, 2022

Bonds	Long (in $)	Short (in $)	Net (in $)
< 1 year	-	-	-
1-3 years	-	-	-
3-5 years	-	-	-
> 5 years	9,519,903	-	9,519,903
Total	9,519,903	-	9,519,903

as at December 31, 2021

Bonds	Long (in $)	Short (in $)	Net (in $)
< 1 year	-	-	-
1-3 years	-	-	-
3-5 years	-	-	-
> 5 years	13,283,585	-	13,283,585
Total	13,283,585	-	13,283,585

As at December 31, 2022, had the prevailing interest rates increased or decreased by 1% (December 31, 2021 - 1%), with all other variables held constant, net assets attributable to holders of redeemable units of the Fund would have decreased or increased, respectively, by approximately $23,474 (December 31, 2021 - $32,754). In practice, the actual results may differ from this analysis and the difference may be material.

Fair Value Hierarchy

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

as at December 31, 2022

	Level 1 (in $)	Level 2 (in $)	Level 3 (in $)	Total (in $)
Bonds	-	-	9,519,903	9,519,903
Equities	-	-	-	-
Total	-	-	9,519,903	9,519,903

as at December 31, 2021

	Level 1 (in $)	Level 2 (in $)	Level 3 (in $)	Total (in $)
Bonds	-	-	13,283,585	13,283,585
Equities	-	-	-	-
Total	-	-	13,283,585	13,283,585

There were no transfers between Level 1, 2 and 3 during the years ended December 31, 2022 and 2021.

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

Level 3 Reconciliation

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

for the year ended December 31, 2022

	Balance at Dec. 31, 2021 (in $)	Purchases (in $)	Sales (in $)	Transfers In (in $)	Transfers (Out) (in $)	Realized Gain (Loss) (in $)	Change in Unrealized Appreciation (Depreciation) (in $)	Balance at Dec. 31, 2022 (in $)
Bonds	13,283,585	-	-	-	-	-	(3,763,682)	9,519,903
Equities	-	-	-	-	-	-	-	-
Total	13,283,585	-	-	-	-	-	(3,763,682)	9,519,903

for the year ended December 31, 2021

	Balance at Dec. 31, 2020 (in $)	Purchases (in $)	Sales* (in $)	Transfers In (in $)	Transfers (Out) (in $)	Realized Gain (Loss) (in $)	Change in Unrealized Appreciation (Depreciation) (in $)	Balance at Dec. 31, 2021 (in $)
Bonds	16,682,382	-	(5,378,477)	-	-	-	1,979,680	13,283,585
Equities	-	-	-	-	-	-	-	-
Total	16,682,382	-	(5,378,477)	-	-	-	1,979,680	13,283,585

*Sales represent repayments of bonds.

Level 3 Sensitivity

The tables below summarize the significant unobservable inputs used in fair value measurement of the Level 3 investments and the impact to the valuation of a reasonably possible change to the significant unobservable input. There is inherently significant measurement uncertainty associated with such investments. The actual results on realization of the positions could materially differ from the estimates of fair value on the reporting date.

for the year ended December 31, 2022 refer to disclosure in Note 3 – "Fair value measurement of investments no quoted in active market"

for the year ended December 31, 2021

Description	Fair Value (in $)	Valuation Technique	Unobservable Inputs	Value of Unobservable Inputs	Change in Valuation + (in $)	Change in Valuation - (in $)
Cline Mining Corp., Floating Rate, 2030/07/08	12,198,455	Discounted Cash Flow	Discount rate	12%	2,016,460	4,628,136
Cline Mining Corp., Floating Rate, 2030/07/08	1,085,130	Discounted Cash Flow	Discount rate	12%	179,377	411,702
Total	13,283,585				2,195,837	5,039,838

Level 3 bonds consist of certain bond issues currently in distressed situations. The valuation for Cline Mining Corp. ("Cline") took into account the capital structure positioning and value relating to the expected cash flows of the company.

Marret High Yield Strategies Fund

Notes to the Financial Statements

1. THE FUND

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

Units of the Fund commenced trading on June 17, 2009 on the Toronto Stock Exchange ("TSX").

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 May 30, 2014 ("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. The Manager is not actively investing the assets of the Fund which currently is made up primarily of one illiquid position: Cline Mining Corp. (the "Cline"). The Manager is seeking to liquidate the Cline position as soon as practicable and distribute the proceeds (net any amount necessary to provide for the liabilities of the Fund) to unitholders. The Fund will distribute the net proceeds from the remaining illiquid investment (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 remaining investment is sold. No ongoing management or other fees will be charged by the Manager for overseeing the liquidation of the remaining investment and the winding up of the Fund.

In December 2013, CI Financial Corp. completed its acquisition of 65% of the issued and outstanding common shares of the Manager. CI Financial Corp. is a diversified wealth management company publicly traded on the TSX under the symbol CIX.

On June 13, 2016, the Manager of the Fund announced that the Fund applied to voluntarily delist its Class A units from the TSX. The Class A units were delisted from the TSX at the close of trading on June 24, 2016.

On June 27, 2016, the Class A units commenced trading on the Canadian Securities Exchange ("CSE").

The address of the Fund's registered office is 15 York Street, Second Floor, Toronto, Ontario M5J 0A3.

These financial statements were authorized for issue by the Manager on March 31, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with *International Financial Reporting Standards* as issued by the International Accounting Standards Board ("IFRS").

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

a) Classification and recognition of financial instruments

The Fund classifies and measures its investments (such as fixed-income securities, equity securities, investment fund(s), exchange-traded fund(s) and derivatives) based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and use that information to assess the assets' performance and to make decisions. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments and derivatives are measured at fair value through profit and loss ("FVTPL"). Short sales are held for trading and are consequently classified as financial liabilities at FVTPL. Derivative contracts that have a negative fair value are presented as liabilities at FVTPL.

The Fund's obligations for net assets attributable to holders of redeemable units are presented at the redemption amount, which approximates their fair value. All other financial assets and liabilities are measured at amortized cost, which approximates their fair value. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the effective rate of interest.

b) Fair valuation of financial instruments

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

The fair value of private placements is determined by using valuation models that may be based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparisons with prices of comparable or similar securities, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indications of value. These values are independently assessed by the Manager to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for these securities may be materially different from the values that would have been used had a ready market for the investment existed. The fair values of private placements are affected by the perceived credit risks of the issuer, predictability of cash flows and the length of time to maturity.

c) Cash

Cash consists of demand deposits with financial institutions.

d) Cost of investments

Cost of investments represents the amount paid for each security and is determined on an average cost basis excluding commissions and transaction costs.

e) Investment transactions and income recognition

Investment transactions are recorded on the trade date – the date on which the Fund commits to purchase or sell the investment. The "Interest for distribution purposes" shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund and is accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight-line basis. Dividends and distributions from investments are recognized on the ex-dividend/ex-distribution date.

f) Functional currency

The Fund's subscriptions and redemptions are denominated in Canadian dollars, which is also the Fund's functional and presentation currency.

g) Foreign exchange

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

h) Unit valuation

The total net asset value ("NAV") is calculated by subtracting the aggregate amount of the liabilities from the total assets attributable to each class of units. Net asset value per unit ("NAVPU") is calculated at the close of business on every valuation date as the net asset value attributable to each class of units divided by its outstanding units.

A valuation date is any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario, or any other day on which the CSE is not open for trading.

As of December 31, 2022, in accordance with IFRS for financial reporting purposes, the fair value of Cline was reassessed based on the market events that occurred subsequently to the Fund's fiscal year-end. The table below provides a comparison of Transactional NAV per unit and Net Assets per unit on the financial statements:

as at December 31, 2022

	Class	Transactional NAV per unit	Net Assets per unit as per the financial statements
Marret High Yield Strategies Fund	Class A	$0.30	$0.26

As at December 31, 2021, there were no differences between the NAV used for transactions with unitholders and the net assets attributable to holders of redeemable units used for reporting purposes under IFRS.

i) Classification of units

The units of the Fund do not meet the criteria in IAS 32 for classification as equity and therefore, have been classified as liabilities. The Fund's units meet the classification as liability because the Fund has a fixed termination date.

j) Commissions and other portfolio transaction costs

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

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

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

l) Withholding taxes

The Fund may, from time to time, incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown separately in the Statements of Comprehensive Income.

m) Reclassification of comparative figures

For December 31, 2022, comparative figures in the Interest Rate Risk table under Fund Specific Notes to Financial Statements have been reclassified from under "1 year" to "greater than 5 years ". The changes in presentation have no impact on net assets attributable to holders of redeemable units of the Fund.

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting year. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing its financial statements:

Liquidity

There are material uncertainties related to the timing of when the Fund's investments can be liquidated and therefore when sufficient cash will be available to fund obligations. The Fund does not currently generate sufficient operating cash flows to fund its obligations. As such, the Fund relies on the continued financial support of the Manager to meet its obligations. Failure to obtain adequate financial support may have a material adverse effect on the Fund.

Fair value measurement of investments and derivatives not quoted in active market

The Fund holds one illiquid investment: Cline Mining Corp. The valuation of Cline Mining Corp. is assessed at the end of each reporting period and requires the Fund to exercise significant judgment when determining the fair value of its investment given the absence of quoted market values and the significant uncertainty in the timing and ability for NECC, the issuer of the secured notes held by Cline, to repay its obligations. During 2022, NECC experienced operational challenges and on February 21, 2023, filed for Chapter 11 protection. In addition to NECC, its parent company Allegiance Coal Limited and three other related entities also filed for insolvency protection.

The fair value of Cline as of December 31, 2022 is determined by using a discounted cash flow model based on a multi-year free cash flow forecast with an assumed discount rate of 17.5%. The Manager used significant judgment in determining the timing and ability for NECC to generate free cash flows and in determining the discount rate. These assumptions have a significant impact on the fair value of the investment in Cline as at December 31, 2022 and reasonable possible alternative assumptions could result in a nominal fair value of Cline Mining Corp.

4. REDEEMABLE UNITS

Units issued and outstanding represent the capital of the Fund.

On May 30, 2014, the Fund suspended its redemptions.

As at December 31, 2022, the fair value of the Fund's net assets based on the CSE closing market price was $3,305,610 (December 31, 2021 - $9,549,541) based on the CSE closing market price).

Redeemable unit transactions information appears in the Fund Specific Notes to Financial Statements.

5. FEES AND EXPENSES

The Fund retained Marret Asset Management Inc., under an administration agreement (the "Administration Agreement") dated May 28, 2009 to administer all of the ongoing operations of the Fund. Prior to May 30, 2014, in consideration for the services provided by the Manager, the Fund paid a management fee equal to 0.25% per annum of the net asset value of the Fund. After May 30, 2014, the Fund no longer pays management fees.

Due to the illiquid nature of the remaining investments within the Fund, the Manager agree to pay all necessary expenses of the Fund until the Fund is able to liquidate its respective positions in Cline, at which time the Fund will reimburse the Manager the accrued payable.

6. INCOME TAXES

The Fund qualifies as a mutual fund trust under the *Income Tax Act* (Canada). The Fund's net income for tax purposes and net capital gains realized in any year are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. Income tax on net realized capital gains not paid or payable will generally be recoverable by virtue of refunding provisions contained in the *Income Tax Act* (Canada) and provincial income tax legislation, as redemptions occur. Occasionally, the Fund may distribute more than it earns. This excess distribution is a return of capital and is not taxable to unitholders.

Refer to the Fund Specific Notes to Financial Statements for further information relating to loss carry forwards.

7. FINANCIAL INSTRUMENT RISK MANAGEMENT

Ukraine-Russian Federation Conflict

The conflict between Ukraine and the Russian Federation has resulted in significant volatility and uncertainty in financial markets. NATO, EU and G7 member countries, including Canada, have imposed severe and coordinated sanctions against Russia. Restrictive measures have also been imposed by Russia and some securities have materially declined in value and/or may no longer be tradable. These actions have resulted in significant disruptions to investing activities and businesses with operations in Russia. The longer-term impact to geopolitical norms, supply chains and investment valuations is uncertain.

While the situation remains fluid, the Manager continues to monitor ongoing developments and the impact to investment strategies.

Interbank Offered Rate Transition

The Fund may trade in debt securities, some of which may be variable rate and have a LIBOR linked interest rate. LIBOR linked interest rates may be transitioned to an alternative benchmark before the Fund disposes of the investment. The impact of this transition, if any, will be captured in the change in fair value of these investments and is not expected to be material to the Fund.

Risk Management

In the normal course of business, the Fund is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including other price risk, currency risk and interest rate risk). The Fund's overall risk management program focuses on compliance and execution of the Fund's investment objectives. The Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisers, daily monitoring of the Fund's positions and market events. To assist in managing risks, the Manager also uses internal guidelines that identify the target exposure for each type of risk, maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

Concentration Risk

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

Details of the Fund's exposure to concentration risk are available in the Fund Specific Notes to Financial Statements.

Credit Risk

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

Cash balances as disclosed in the Statements of Financial Position are maintained by the Custodian. The Manager monitors the credit worthiness of the Custodian on a regular basis. The credit rating of the Custodian as at December 31, 2022, was AA (December 31, 2021 - A+).

Liquidity Risk

The Fund invests in investments that are illiquid. There can be no assurance that an adequate market for the Fund's investments will exist at all times, or that the prices at which the underlying investments trade, accurately reflect their net asset values. Cline Mining Corp. bond positions owned by the Fund are considered illiquid and represent 99.47% of the Fund's net assets attributable to holders of redeemable units at December 31, 2022 (December 31, 2021 – 98.47%). All liabilities will be paid once Cline positions are liquidated.

Market Risk

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

Other Price Risk

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

Currency Risk

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

Interest Rate Risk

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

Fair Value Hierarchy

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

The three levels of the hierarchy are as follows:

Level (1) - quoted prices (unadjusted) in active markets for identical assets or liabilities
Level (2) - investments with inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
Level (3) - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

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

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

8. CLINE MINING CORP.

As a result of Allegiance Coal Limited's (Allegiance) purchase of all the shares in New Elk Coal Company, LLC ("NECC"), Cline held US$35,120,670.84 principal of a secured note issued by NECC ("NECC Note"). The NECC Note is to be repaid as follows:

- US$3 million paid in cash on the release of the NECC reclamation bonds held by the Colorado Division of Reclamation, Mining and Safety from the current bonds of approximately US$5.5M (Allegiance has secured up to US$10 million of insurance mine reclamation bonding to replace the existing bonds); the cash release is expected within 90 days of closing;
- US$6 million upon the commencement of commercial production by NECC or by December 1, 2021, whichever is earlier;
- The remainder of the NECC Note to be repaid by Cline receiving 60% of NECC's retained earnings after NECC makes prudent provision for any preferred debt payments and obligations, and sustaining and working capital, until the NECC Note is paid in full, but in any event within 10 years of closing. The NECC Note will not bear interest.

To date, NECC has repaid US$9 million of the NECC Note. US$3 million after the release of NECC's reclamation bonds held by the Colorado Division of Reclamation, Mining and Safety. US$6 million after reaching the December 1, 2021 outside date.

After a 1 for 5 reverse split on May 5, 2021, Cline holds 14,130,281 shares of Allegiance as a result Allegiance's purchase of all the shares in NECC. Allegiance shares had split adjusted closing price of $A0.36 on December 31, 2021 and a closing price of $A0.05 on December 31, 2022.

Allegiance announced a new CEO, Jon Romcke, who started with the company in May.

Allegiance completed several capital raises during the year. Including:

- A$42.9 million through a secured convertible note in May 2022. The note allowed Allegiance to refinance some outstanding debt, pre-fund interest payments, and fund future working capital needs.
- A$5 million equity facility that provided the company with necessary liquidity to complete a strategic review after the second quarter.
- A$28.7mm through a renounceable entitlement offer where current shareholders were able to buy new shares at a price of A$0.05 to be applied towards equipment and working capital at Black Warrior and New Elk mines (the Fund did not participate).

9. SUBSEQUENT EVENT

As noted in Note 3. Critical Accounting Judgments and Estimates - Fair value measurement of investments not quoted in active market, on February 21, 2023, NECC filed for Chapter 11 protection. NECC is the issuer of the secured notes held by Cline. In addition to NECC, its parent company Allegiance Coal Limited and three other related entities also filed for insolvency protection. In light of those recent events the Manager is assessing the impact of those events on the Fund.

Marret High Yield Strategies Fund

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MARRET ASSET MANAGEMENT INC.

15 York Street, 2nd Floor, Toronto, Ontario M5J 0A3 | www.marret.com

Tel: 416-214-5800
Fax: 647-439-6471
info@marret.com