MARRET ASSET MANAGEMENT INC.

Marret Short Duration High Yield Fund
Marret High Yield Bond Fund
Third-quarter 2019 Commentary

Adrian Prenc, CFA, FRM, Vice-President, Portfolio Manager and Chief Risk Officer

Class F returns (in %) as at September 30, 2019	Year-to-date	1 year	3 year	5 year	Since inception (02/14/2014)
Marret Short Duration High Yield Fund	3.5	2.7	2.8	2.8	2.7
Marret High Yield Bond Fund	7.0	3.9	3.9	3.1	3.1

Sources: Bloomberg Finance L.P. and Marret Asset Management Inc., as at September 30, 2019.

Market Overview

Risk markets performed well in September, ending the quarter strongly. They were able to withstand some earlier volatility caused by re-escalating trade tensions and weakening global growth. July marked the U.S. Federal Reserve's (the "Fed's") first interest rate cut in over a decade, creating a strong technical demand for fixed income. This also led to further optimism that the economic cycle could be extended.

However, in August, it seemed that the global economy may already be weakening at too fast a pace. The U.S. manufacturing Purchasing Managers Index fell into contraction territory for the first time since 2009, while the U.S. yield curve inverted, which was last seen in 2007. Recession fears reignited in response to weak global economic data, driving global bond yields even lower. This was exacerbated by renewed trade tension, as a fresh round of U.S. tariffs went into effect on September 1, which also resulted in retaliatory tariffs imposed by China. Risk markets were still able to recover, lifted by further central bank easing. The Fed delivered a second rate cut in September, while also indicating that it is ready to cut further if necessary.

High yield remained relatively resilient, posting modest gains in the quarter, as it benefited from a search for yield in a yield-starved environment. The index yield fell to approximately 5.8%, while spreads finished at around 400 basis points (bps).

Marret Short Duration High Yield Fund

The core short-duration bonds held in the portfolio of Marret Short Duration High Yield Fund (the "Fund") posted a positive return of 0.4% for the third quarter of 2019, underperforming the 2.9% return for its benchmark index, the ICE BofAML 1-5 Year BB Cash Pay High Yield Total Return Index, over the same period.

The Fund generated steady, stable returns, yet trailed the high yield index, primarily due to its lower duration given its conservative portfolio management approach focusing on shorter duration securities. We continue to maintain our late-cycle defensive positioning, focusing on capital preservation given current valuations. The Fund benefited from its larger core shorter-dated positions providing attractive risk-adjusted returns, including Tenet Healthcare Corp.'s short-dated bonds, which received a premium tender offer as the company looked to take out its front-end maturities. The Fund was adversely affected by a small pocket of total return securities, most notably Endo International PLC's first-lien securities, which were the main detractor.

The Fund remains overweight shorter-duration higher-quality securities (BB and above), while remaining underweight securities of lower-credit quality, given its fundamental view on the economy. It has also slightly added exposure to higher-quality investment-grade-rated securities in both credit and governments. The Fund remains underweight in its credit exposure, overweight the health care sector, and underweight services, consumer goods and utilities.

Marret High Yield Bond Fund

Marret High Yield Bond Fund (the "Fund") delivered a positive return of 0.6% for the third quarter of 2019, underperforming the 2.7% return for its blended benchmark (50% ICE BofAML High Yield Canadian Issuers Total Return Index and 50% ICE BofAML US High Yield Total Return Index) over the same period.

The Fund generated positive returns for the period, yet trailed the index, primarily due to its lower duration. We continue to maintain our late-cycle defensive positioning, focusing on capital preservation given current valuations. The Fund benefited from its larger core shorter-dated positions providing attractive risk-adjusted returns, while being adversely affected by a small pocket of total return securities, predominantly related to energy.

The Fund remains overweight higher-quality securities (BB and above), while remaining underweight securities of lower credit quality, given its fundamental view on the economy. It has also added exposure to higher-quality investment-grade-rated securities in both credit and governments. While the Fund remains underweight in its credit exposure, it remains overweight the cable/media and telecommunications sectors, while remaining underweight services, technology and banks.

Outlook

Looking forward, it is quite important to note that high-yield yields have now fallen more than 200 bps this year, while spreads have tightened over 125 bps. This dramatic move has happened despite significant deterioration in economic conditions, both in the United States and globally. Historically, economic deterioration has led to spread widening with yields generally climbing higher, even as government yields were falling. Whereas the economy has generally unfolded in line with our expectations, the market reaction has not.

Our cautious stance focusing on the economic environment has not been rewarded, as central bank accommodation currently seems to have a greater influence on the markets rather than fundamentals. While the U.S. consumer currently remains resilient, the manufacturing sector has now firmly entered contraction, and there are early signs that the services sector may also be softening. At the same time, global economic policy uncertainty has never been higher, leading to a further softening in global capital expenditures, which is also dampening growth.

While our experience has historically shown us that now is a time for caution, we are also prepared to reassess our current stance and add risk more aggressively if any critical conditions change. For example, if valuations are adjusted to where credit spreads widen to provide appropriate compensation for the persistently weak economic environment we are currently facing. Or if there was an expectation that fundamental data will improve and central bank actions are successful in stabilizing the economy and extending the cycle, or that trade conflict will be resolved for the intermediate term, which would remove the uncertainty that has contributed to weakening global growth.

In the absence of any of these conditions, we will continue to be patient and look to generate stable returns focusing on capital preservation.

IMPORTANT DISCLAIMERS

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns net of fees and expenses payable by the fund (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all dividends/distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

The author and/or a member of their immediate family may hold specific holdings/securities discussed in this document. Any opinion or information provided are solely those of the author and does not constitute investment advice or an endorsement or recommendation of any entity or security discussed or provided by CI Investments Inc.

The comparison presented is intended to illustrate the mutual fund's historical performance as compared with the historical performance of widely quoted market indexes or a weighted blend of widely quoted market indexes or another investment fund. There are various important differences that may exist between the mutual fund and the stated indexes or investment fund, that may affect the performance of each. The objectives and strategies of the mutual fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indexes or investment fund. Indexes are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indexes.

The contents of this piece are intended for informational purposes only and not to be used or construed as an endorsement or recommendation of any entity or security discussed. The information should not be construed as investment, tax, legal or accounting advice, and should not be relied upon in that regard. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies. These investments may not be suitable to the circumstances of an investor. Some conditions apply.

Certain statements in this document are forward-looking. Forward-looking statements ("FLS") are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate," or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Investments Inc. and the portfolio manager believe to be reasonable assumptions, neither CI Investments Inc. nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI Investments Inc. has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document.

Published October 28, 2019.

CI Investments® | Trusted Partner in Wealth™