MARRET ASSET MANAGEMENT INC.

Marret Short Duration High Yield Fund
Second-Quarter 2020 Commentary

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Class F returns (in %) as at June 30, 2020	Year-to-date	1 year	3 year	5 year	Since inception (2014-02-14)
Marret Short Duration High Yield Fund	2.2	3.4	3.1	2.7	2.8

Source: Marret Asset Management Inc., as at June 30, 2020.

Market Overview

- Risk markets rallied significantly during the second quarter of 2020, despite one of the deepest economic contractions in modern history. Unprecedented policy response was successful in restoring market confidence, as many governments and central banks swiftly enacted massive fiscal and monetary policy measures in response to the COVID-19 pandemic.

- The S&P 500 Index posted its highest quarterly return in over two decades, up over 20%. Credit markets were stronger as well, as the U.S. Federal Reserve expanded its asset purchase program to include high-grade corporate bonds, ETFs and even some areas of high-yield credit. This led to a surge of inflows into corporate credit funds, despite rising defaults.

- The increased liquidity was met with increased corporate bond issuance; companies took advantage of favourable market conditions to shore up liquidity in the face of extreme uncertainty. June was the largest monthly supply of high-yield bonds on record. High-yield spreads rallied to just under 650 basis points (bps), more than 220 bps lower than where they began the quarter, while yields closed at 6.85%.

- The dramatic decline in yields came as investors grew more confident the economy was repairing itself quicker than feared, as many regions moved from lockdown to reopening. Despite this widespread optimism, risk markets faded from their highs earlier in June when some U.S. states began registering large increases of new cases.

- Nonetheless, the continued belief in a variety of healthcare solutions, including progress with prospective vaccines, and the abundant liquidity provided by central banks still seem to be driving markets for the time being.

Performance Summary

- The Marret Short Duration High Yield Fund (the Fund) returned 3.8% for the quarter underperforming its benchmark, the ICE BofAML 1-5 Year BB Cash Pay High Yield Total Return Index, which returned 8.4%.

Contributors to Performance

- The Fund benefitted from strong credit markets during the period, as it started the quarter with an increased exposure to credit risk.

- The main contribution to performance came from holdings in the Energy sector, even though the portfolio's weight to the sector did not exceed 6.5% during the period.

Portfolio Activity

- While the Fund's duration and corporate credit exposures are roughly in line with where they started, the Fund was quite active over the quarter.

- As credit spreads tightened, the Fund generally reduced its exposure to credit risk until early June. When supply increased in the high-yield market and spreads widened, the Fund redeployed some capital.

- One area where the Fund focused was on very short-dated corporate bonds of companies that have raised money to call their existing debt. These bonds offer yield pick-up compared to near-zero cash alternatives and very low volatility. The Fund's yield-to-worst has fallen along with the overall yield in credit markets as they have rallied.

Outlook

- A significant amount of uncertainty remains for both the economy and the evolution of the virus. We are closely watching for any growing stress on hospitalization rates to assess whether any further broad-based economic lockdown may be required. We are also closely

watching for positive developments in a wide variety of healthcare treatment solutions, which, if successful, may provide a path to economic normalization.

- Additional uncertainties include the future path of fiscal support, the upcoming U.S. election, and behavior changes of consumers, businesses, and investors as we re-open. With uncertainty running this high, one certainty is that central banks have committed to an endless amount of policy support. We expect this to remain the case until economic health is restored.

- As a result, we continue to view credit spreads, which remain above average, as attractive despite these mounting risks. Nonetheless, we maintain our bias towards quality for the core of the portfolio as we assess the impact to the real economy and our companies. However, we are prepared to act tactically and add opportunities across the credit spectrum when they arise. As always, we look to be balanced and prudent in our approach.

Source: Bloomberg Finance L.P. and Marret Asset Management Inc.

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