MARRET ASSET MANAGEMENT INC.

Second-quarter 2019 Commentary

Market Overview

Risk markets continued their climb higher, with most asset classes finishing the second quarter of 2019 strongly. This came despite a further deterioration in global economic conditions, alongside decelerating U.S. growth. Renewed trade tensions provided a period of volatility, as earlier optimism over a trade deal between China and the United States proved to be premature. Central-bank policy easing quickly took centre stage, driving global bond yields lower and creating a positive backdrop for risk. The U.S. Federal Reserve (the "Fed") also joined in, acknowledging a weak global economy as well as persistently low inflation, and confirmed that it was ready to reduce interest rates if necessary, ending a multi-year period of rate hikes. U.S. Treasury yields have fallen considerably, pricing in an expectation for multiple rate cuts, with the markets patiently waiting for the Fed to follow suit.

The 10-year U.S. Treasury yield finished the quarter at 2.01%, down sharply from a high of 3.25% less than a year ago. High yield posted another strong quarter, despite high-yield spreads remaining relatively flat at approximately 400 basis points, as high-yield bond yields fell to nearly 6%, following U.S. Treasury yields lower.

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 0.7% for the second quarter of 2019, outperforming the broad high-yield market, as measured by the ICE BofAML US High Yield Total Return Index, which returned 0.3%, and the -0.2% return for its benchmark index, the ICE BofAML 1-5 Year BB Cash Pay High Yield Total Return Index, over the same period. Importantly, the Fund's duration remains substantially shorter than its benchmark.

The Fund benefited from short-duration credit selection and its exposure to certain U.S. health care companies (notably, Bausch Health Companies Inc., HCA Healthcare Inc. and Charter Communications Inc.), but the Fund's performance was negatively affected by certain energy companies (notably, Tapstone Energy, LLC) and by its exposure to JBS S.A. and Endo International PLC. Likewise, exposure to certain pharmaceutical companies detracted from the Fund's performance.

Marret High Yield Bond Fund

Marret High Yield Bond Fund (the “Fund”) delivered a positive return of 1.5% for the second quarter of 2019; outperforming the 0.4% 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 also outperformed the broad high-yield market, as measured by the BofAML US High Yield Total Return Index, which returned 0.3% for the quarter.

The Fund benefited from credit selection, its exposure to the home improvement sector and its exposure to the energy services sector. The main contributors to the Fund’s performance during the quarter were Jeld-Wen Holding Inc., Calfrac Well Services Ltd. and CommScope Holding Co. Inc. Conversely, exposure to certain total-return companies within the energy sector (notably, Halcon Resources Corp., Gulfport Energy Corp. and Sanchez Energy Corp.) and exposure to the software sector detracted from the Fund’s performance.

Outlook

Looking forward, it is important to note that economic weakness has, in fact, prevailed as anticipated, yet spreads have remained very resilient due to a renewed push by central banks globally for increased liquidity in markets. Generally, in a late-cycle environment as economic conditions weaken, interest rates fall and spreads widen leading to high-yield underperformance. Central-bank easing eventually becomes an important factor for investing and provides opportunity, but after prices fall. It seems that the markets have currently moved away from pricing in fundamentals to pricing in policy. There is the possibility that even an insurance cut may be too late, and the cumulative effects of previous tightening, as well as the prolonged period of trade friction, is just beginning to weigh on the economy. The optimism of easing is often followed by the reality of further weakening growth.

Eventually, we believe fundamentals will reassert themselves, and we would expect high-yield bond yields to rise, creating a negative return environment for credit. Whereas we do believe credit spread cycles will not necessarily be as volatile as they have been in the past, it may be naïve to believe that these default cycles have been eliminated.

While we currently have a defensive positioning, we are also prepared to add risk if credit spreads do in fact widen and provide appropriate compensation for the persistently weak economic environment. In the interim, we are closely monitoring fundamental data, and we are also prepared to act if we believe the actions of central banks will be successful in providing economic

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stabilization to extend the cycle. For the time being, we will be patient and continue to generate stable returns while focusing on capital preservation.

Class F returns (in %) as at June 30, 2019	**Year-to-date**	**1 year**	**3 year**	**5 year**	**Since inception (02/14/2014)**
Marret Short Duration High Yield Fund	3.1	3.4	3.6	2.5	2.7
Marret High Yield Bond Fund	6.4	5.3	5.0	2.8	3.2

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

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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.

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