



Financial Statements

Marret High Yield Strategies Fund

December 31, 2009

March 31, 2010

PricewaterhouseCoopers LLP
Chartered Accountants
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Auditors' Report

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

We have audited the statement of investment portfolio of the Fund as at December 31, 2009, the statement of net assets as at December 31, 2009 and the statements of operations, changes in net assets and cash flows for the period from June 17, 2009 (commencement of operations) to December 31, 2009. These financial statements are the responsibility of the Fund's manager. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2009 and the results of its operations, the changes in its net assets and its cash flows for the period from June 17, 2009 to December 31, 2009, in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

Statement of Net Assets

As at December 31, 2009	2009
Assets	
Investments, at fair value (note 2)	\$ 15,221
Forward purchase agreement, at fair value (note 3)	233,797,907
Cash and cash equivalents	101,474
Accrued interest	37
Total assets	233,914,639
Liabilities	
Accrued liabilities	489,860
Distributions payable to unitholders	1,522,910
Total liabilities	2,012,770
Unitholders' equity	
Unitholders' equity	204,718,475
Retained earnings	27,183,394
Net Assets representing unitholders' equity	\$ 231,901,869
Units outstanding (note 4)	22,730,000
Net Assets per unit (note 2)	\$ 10.20

Approved on behalf of the Trustee, Marret Asset Management Inc.

(signed)

(signed)

Barry Allan
President & Chief Executive Officer

Lara Misner
Vice President & Chief Financial Officer

See accompanying notes which are an integral part of these financial statements.

Statement of Operations

For the period from June 17, 2009, date of commencement, to December 31, 2009 2009

Income

Interest revenue	\$	175
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Expenses

Management fees (note 5)		316,399
Service fees (note 5)		503,977
Audit fees		13,125
Custodial fees		21,694
Trustee fees		5,250
Legal fees		14,240
Regulatory fees		42,291
Transfer agent fees		6,780
Counterparty fees (note 5)		300,338

Total expense		1,224,094
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Net investment loss		(1,223,919)
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Net realized gain on forward purchase agreement		584,389
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Change in unrealized appreciation on forward purchase agreement and investments		27,822,924
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Increase in Net Assets from operations	\$	27,183,394
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Increase in Net Assets from operations per unit ⁽¹⁾	\$	1.20
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Retained earnings, beginning of period	\$	-
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Increase in Net Assets from operations		27,183,394
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Retained earnings, end of period	\$	27,183,394
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⁽¹⁾ Based on the weighted average number of units outstanding for the period.

See accompanying notes which are an integral part of these financial statements.

Statement of Changes in Net Assets

For the period from June 17, 2009, date of commencement, to December 31, 2009		2009
Net Assets, beginning of year	\$	-
Operations:		
Increase in Net Assets from operations		27,183,394
Unitholder transactions:		
Distribution to unitholders		
Return of capital		(9,848,909)
Proceeds from issuance of units		227,300,000
Issuance costs		(12,732,616)
Total unit transaction		204,718,475
Increase in Net Assets		231,901,869
Net Assets, end of year	\$	231,901,869

See accompanying notes which are an integral part of these financial statements.

Statement of Cash Flows

For the period from June 17, 2009, date of commencement, to December 31, 2009	2009
Cash flows from operating activities:	
Net investment loss	\$ (1,223,919)
Proceeds from disposition of investments	8,476,220
Purchase of investments	(213,882,035)
Net change in working capital	489,823
Cash used in operating activities	(206,139,911)
Cash flows from financing activities:	
Proceeds from issuance of units	227,300,000
Issuance costs	(12,732,616)
Distributions paid to unitholders	(8,325,999)
Cash provided by financing activities	206,241,385
Net increase in cash and short-term investments	101,474
Cash and short-term investments, beginning of the year	-
Cash and short-term investments, end of the year	\$ 101,474

See accompanying notes which are an integral part of these financial statements.

Statement of Investment Portfolio

As at December 31, 2009

Par Value	Average Cost	Fair Value
	(\$)	(\$)
Canadian Bond		
15,000 Government of Canada, 3.00%, 2014/06/01	15,285	15,221
Canadian Government Issued Bond (0.00%)	15,285	15,221
Forward Purchase Agreement (note 3) (100.82%)	205,974,919	233,797,907
Total of Investments (100.82%)	205,990,204	233,813,128
Other assets, less liabilities (-0.82%)		(1,911,259)
Total Net Assets (100.00%)		231,901,869

See accompanying notes which are an integral part of these financial statements.

Marret High Yield Strategies Fund

Notes to the Financial Statements

December 31, 2009

1. Fund Activities

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. (the “Manager”) is the manager of the Fund and provides all administrative services required by the Fund.

The Fund's investment objectives are:

- (i) to maximize total returns for holders of Units (“Unitholders”), consisting of both tax-advantaged distributions and capital appreciation, while reducing risk; and
- (ii) to provide Unitholders with attractive monthly tax-advantaged cash distributions, initially targeted to be 8.00% per annum on the original issue price of \$10.00 per Unit;

The Fund has exposure to a portfolio (the “Portfolio”) focused primarily on High Yield Debt. Marret’s investment strategy for the Portfolio is designed to produce attractive risk-adjusted returns in each phase of the credit cycle. Over the course of the credit cycle, the investment strategy seeks to generate returns consistent with the long-term performance of equity indices, and with volatility and risk characteristics consistent with 10-Year U.S. Treasury notes.

Units of the Fund commenced trading on June 17, 2009 on the Toronto Stock Exchange. Net proceeds of \$214.6 million (net of issue costs of \$12.73 million) were raised in the initial public offering and exercise of the Over-Allotment Option to brokers, on the issuance of 22,730,000 units.

To provide the Fund with the means to meet its investment objectives, the Fund used the net proceeds of its initial public offering to prepay its obligations under a forward purchase and sale agreement (the “Forward Purchase Agreement”) with The Bank of Nova Scotia (the “Counterparty”) all as described in note 3. Such net proceeds were invested by the Counterparty in Marret High Yield Strategies Trust (“Marret HYS Trust”). The cash received from the counterparty was used by Marret HYS Trust to purchase the Portfolio Securities.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements requires management to make estimates and assumptions that may impact the reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ from these estimates. The significant accounting policies followed in the preparation of these financial statements are summarized below:

Investments

The Fund’s securities are held for trading and are presented at fair value. Investments held that are traded in an active market through recognized public stock exchanges, over the counter markets, or through recognized investment dealers, are valued at their bid prices. The difference between fair value and the average cost of securities is recorded as unrealized appreciation/ (depreciation) of investments.

Security transactions are recorded on a trade-date basis. Realized gains/(losses) on the disposition of securities and unrealized appreciation/(depreciation) of securities are determined on an average cost basis.

Forward Purchase Agreement

The fair value of the Forward Purchase Agreement (note 3) is the value with respect thereto that would be realized if, as of any date, the Forward Purchase Agreement was settled in accordance with its terms, in which case the value shall be based on the current market value of the Portfolio Securities using closing sale prices. If no sale has taken place that day, valuation will be at the average of the bid and ask price. The value takes into account amounts equal to other assets including cash, prepaids and distributions receivable, less the liabilities of, Marret HYS Trust and other liabilities attributed to the Forward Purchase Agreement on such date.

The unrealized appreciation on the Forward Agreement, which is the difference between the fair value of the forward agreement and the fair value of Marret HYS Trust, and the realized gains on partial settlements on the Forward Agreement are included in the Statement of Operations.

Income Recognition

Interest income is recorded on an accrual basis.

Translation of foreign currencies

The fair value of foreign investments and other assets and liabilities are translated into Canadian dollars at the exchange rate prevailing on the valuation date. Purchases and sales of foreign securities and the related income are translated into Canadian dollars at the exchange rate prevailing on the respective dates of such transactions.

Net Assets per Unit

The Net Assets is calculated by subtracting the aggregate amount of the liabilities from the total assets of the Fund. The Net Assets per Unit is calculated by dividing the Net Assets by the number of Units outstanding.

Increase (decrease) in Net Assets from Operations per Unit

Increase (decrease) in Net Assets from Operations per Unit in the Statements of Operations represents the increase (decrease) in net assets from operations attributable to the Fund, divided by the weighted average number of units of the Fund outstanding during the period.

Financial Instruments

The Fund's financial instruments include investments and derivatives, receivables for accrued interest and for portfolio securities sold, payables for portfolio securities purchased and other accrued expenses. Investments and derivatives are classified as held for trading and carried at fair value. Receivables for accrued interest and for portfolio securities sold are designated as loans and receivables and reported at amortized cost. Payables for portfolio securities purchased and other accrued expenses are designated as financial liabilities and reported at amortized cost.

Issuance Costs

Issue costs associated with the offering have been recorded as a reduction to Unitholders' equity during the period. The amount represents a one-time charge and was paid out of the gross proceeds of the offering.

3. Forward Purchase Agreement

Pursuant to the Forward Purchase Agreement, the Counterparty will acquire, on or before May 30, 2014 (“the Termination Date”), securities of Canadian public issuers (“Canadian Securities”) having a value based on the economic return provided by the Portfolio from inception to the Termination Date. The Portfolio is held by Marret HYS Trust. Under the Forward Purchase Agreement, the Counterparty will deliver, on the Termination Date, a specified portfolio of Canadian Securities with an aggregate value equal to the redemption proceeds of all of the corresponding units of Marret HYS Trust, net of any amount then owing by the Fund to the Counterparty. The Fund will partially settle the Forward Purchase Agreement prior to the Termination Date in order to fund (i) redemptions and repurchases of Units; and (ii) operating expenses and other liabilities of the Fund. Settlement of the Forward Purchase Agreement is unconditionally guaranteed by The Bank of Nova Scotia, a company with a current credit rating of AA as rated by the Dominion Bond Rating Service.

The fair value of the Fund’s Forward Purchase Agreement is equal to the net asset value of Marret HYS Trust calculated at closing sale prices. As at December 31, 2009, the net asset value of Marret HYS Trust was \$233,797,907. For financial statement reporting purposes, the net assets of Marret HYS Trust includes the Portfolio Securities measured in accordance with Section 3855 of the CICA Handbook, which for publicly listed securities is based on closing bid prices for securities held long and on closing ask prices for securities held short, on a recognized stock exchange on which the investments are listed or principally traded. The following reconciles the net assets of Marret HYS Trust to the fair value of the Forward Purchase Agreement:

As at December 31, 2009	
Net Assets of Marret HYS Trust	\$ 232,592,268
Valuation adjustment to Portfolio Securities to closing sale prices	1,205,639
Forward Purchase Agreement, at fair value	\$ 233,797,907

4. Unitholders' Capital

Pursuant to the Declaration of Trust, the Fund is authorized to issue an unlimited number of transferable, redeemable Fund Units of one class, each of which represents an equal, undivided interest in the net assets of the Fund. All Units have equal rights and privileges. Each whole Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund and distributions upon the termination of the Fund.

Annual Redemptions

Annual Conditional Redemption Right: The Annual Redemption Date is on the last business day in July of each year beginning in 2011. Units may be redeemed at the option of Unitholders on the Annual Redemption Date of each year, if and only if the Annual Redemption Condition, described below, has been met in such year. Units so redeemed will be redeemed at a redemption price equal to the Net Asset Value per Unit on the Annual Redemption Date, less any costs associated with the redemption, including commissions and other such costs, if any, related to the partial settlement of the Forward Agreement to fund such redemption. The Units must be surrendered for redemption at least ten Business Days prior to the Annual Redemption Date. Payment of the proceeds of redemption will be made on or before the 15th Business Day of the following month.

Annual Redemption Condition: Units may only be redeemed on an Annual Redemption Date if the average of the Net Asset Values of the Units on the first four Valuation Dates occurring in the month of May preceding the Annual Redemption Date is less than \$10.00. On the first business day following the fourth such Valuation Date, the Manager will issue a press release stating the average Net Asset Value and whether or not the Annual Conditional Redemption Right has been triggered.

Monthly Redemptions

The Monthly Redemption Date is the second last Business Day of each month, other than July in a year where the Annual Redemption Condition has been met. Units may be redeemed at the option of Unitholders on a Monthly Redemption Date, subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered on the date which is the last Business Day of the month preceding the Monthly Redemption Date. Payment of the redemption price will be made on or before the Redemption Payment Date, subject to the Manager's right to suspend redemptions in certain circumstances.

Unitholders surrendering a Unit for redemption will receive a redemption price equal to the lesser of (i) 94% of the Market Price of a Unit and (ii) 100% of the Closing Market Price of a Unit on the applicable Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs, being the Monthly Redemption Amount.

The issued and outstanding Units as at December 31, 2009 consist of:

Units outstanding - beginning of period	-
Unit issued	22,730,000
Units outstanding - end of period	22,730,000

5. Fees and Expenses

The Fund pays a Management Fee equal to 0.25% per annum of the net asset value of the Fund, calculated and payable monthly in arrears, plus applicable taxes, plus a Service Amount calculated and paid as soon as practicable after the end of each calendar quarter, equal to 0.40% per annum of the Net Asset Value attributable to the Units plus applicable taxes.

The Fund will pay to the Counterparty an additional purchase amount under the Forward Agreement, calculated daily and payable quarterly in arrears, of 0.25% per annum of the notional amount of the Forward Agreement (being effectively equal to the Net Asset Value of Marret HYS Trust).

All other reasonable expenses in connection with the administration of the Fund, including trustee fees and custodian fees, are paid by the Fund. The Fund is also responsible for the costs of portfolio transactions and any extraordinary expenses that may be incurred from time to time.

6. Income Taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). A mutual fund trust is subject to tax on its net investment income for the year, including any net realized capital gains, which is not paid or payable to its Unitholders. The financial statements of the Fund do not include a provision for income taxes because under the terms of the Declaration of Trust, net investment income and net realized capital gains are distributed each year to Unitholders and is taxable in the Unitholders' hands.

The Fund did not realize any income, gain or loss as a result of entering into the Forward Purchase Agreement and no amount is expected to be included in the Fund’s income by virtue of the acquisition of the Canadian Securities through partial pre-settlements or final settlement of the Forward Purchase Agreement. The cost to the Fund of such Canadian Securities will be that portion of the aggregate amount paid by the Fund under the Forward Purchase Agreement attributable to the Canadian Securities. The resulting gains or losses realized by the Fund on the sale of Canadian Securities acquired pursuant to the Forward Purchase Agreement is expected to be taxed as capital gains or capital losses.

The Fund has non-capital losses available to offset future income for tax purposes. The non-capital loss amounts by year of expiry are as follows:

Year of Expiry	Non-Capital Loss
2029	\$ 1,864,522

7. Related Party Information

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. In consideration for the services provided by Marret Asset Management Inc. as administrator, the Fund pays a management fee to the Fund Manager. The total management fees paid to Marret Asset Management Inc. for the year ended December 31, 2009 was \$316,399, of which \$51,462 remained payable at December 31, 2009.

8. Capital Management

The Fund’s capital consists of the Unitholders’ Equity. As administrator, Marret Asset Management Inc. is responsible for managing the Fund’s Portfolio in line with its mandate and the affairs of the Fund, including receipt of cash from partial unwinds of the Forward Purchase Agreement primarily to fund operating expenses and monthly distributions.

9. Financial Instrument Risk Management

In the normal course of business, the Fund is exposed to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity 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 and by diversifying the investment portfolio within the constraints of the investment strategy. 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

Price Risk

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 interest rate risk or currency 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.

By virtue of the Forward Purchase Agreement, the Price Risk for the Fund is derived from the value of the equity securities held by Marret HYS Trust. The value of the Portfolio Securities can fluctuate on a daily basis as a result of factors outside of the Fund's control, including financial performance of the issuers of the Portfolio Securities, operational risks relating to the specific business activities of the respective issuers, quality of assets owned by respective issuers, commodity prices, exchange rates, interest rates, environmental risks, political risks, issues relating to government regulation and taxation, composition of the Portfolio and other financial market conditions.

If the prices for the equity securities held by Marret HYS Trust had increased or decreased by 5% as at December 31, 2009, with all other variables remaining constant, net assets of the Fund would have increased or decreased by approximately \$1,549,718, or 0.67%. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

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.

By virtue of the Forward Purchase Agreement, the Fund is exposed to changes in the value of Marret HYS Trust's interest bearing securities.

The table below summarizes the Trust's exposure to interest rate risks by remaining term to maturity.

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Bonds	4,007,607	29,691,065	70,486,375	152,487,553	256,672,600

If interest rates had increased or decreased by 1% at December 31, 2009, with all other variables remaining constant, net assets would have decreased or increased by approximately \$14,335,692, or 6.18%. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

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.

The Portfolio Securities of Marret HYS Trust, to which the Fund is exposed through the Forward Agreement, are comprised in part of US dollar denominated securities. The table below indicates the currencies to which the Trust had significant exposure as at December 31, 2009, on its trading monetary and non-monetary assets and liabilities.

	Currency risk Investments	Currency risk Due to broker	Forward Currency Contract	Total Exposure	As a % of Net Assets
US Dollar	197,432,238	(55,918,071)	(141,422,929)	91,238	0.04%

As at December 31, 2009 Marret HYS Trust's sensitivity to US dollar foreign exchange was not significant as the Trust was substantially hedged through forward currency contracts.

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 Fund is fully exposed to the credit risk of the Bank of

Nova Scotia due to the prepaid Forward Agreement. The Fund is also exposed to the credit risk of the Portfolio Securities held by Marret HYS Trust. The fair value includes consideration of the credit worthiness of the issuer and therefore represents the maximum credit exposure of the Fund.

As at December 31, 2009, Marret HYS Trust invested in debt securities with the following credit ratings:

Debt securities by debt rating	As a % of Net Assets
AAA	9.81%
AA	0.00%
A	2.77%
BBB	3.01%
Below BB	76.60%
Unrated	18.49%
Total	110.68%

As at December 31, 2009 Marret HYS Trust invested in derivatives with the following counterparty ratings:

Counterparty Ratings	As a % of Net Assets
A1+	0.13%
A1	0.04%
Total	0.17%

Liquidity Risk

The Fund is exposed to annual and monthly redemptions, and repayment of borrowings. By virtue of the Forward Purchase Agreement, the Fund invests a substantial portion of its assets in investments that are traded in an active market and can be readily disposed of. There can be no assurance that an adequate market for the Portfolio Securities will exist at all times, or that the prices at which the Portfolio Securities trade, accurately reflect their net asset values. Partially pre-settling of the Forward Purchase Agreement prior to the Termination Date is used to fund redemptions, operating expenses, and other liabilities of the Fund.

Fair Value Hierarchy

Canadian Institute of Chartered Accountants Handbook Section 3862 ("Section 3862"), Financial Instruments - Disclosures, establishes 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 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 that trade in markets that are not considered to be active, but whose values are based on inputs such as quoted market prices, dealer quotations or valuations provided by alternative pricing sources supported by observable inputs.

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 following is a summary of the inputs used as of December 31, 2009 in valuing the Trust's investments and derivatives carried at fair values:

	Level 1		Level 2		Level 3		Total
Bonds	\$	-	\$	15,221	\$	-	\$ 15,221
Forward purchase agreement				233,797,907			233,797,907
Total Investments	\$	-	\$	233,813,128	\$	-	\$ 233,813,128