



Marret High Yield Strategies Fund
2009 Annual Management Report of Fund Performance
March 31, 2010

This annual management report of fund performance for Marret High Yield Strategies Fund (the “Fund”) contains financial highlights but does not contain the complete annual financial statements of the Fund. This report should be read in conjunction with the annual financial statements of the Fund for the year ended December 31, 2009.

You may obtain a copy of the annual financial statements at your request, and at no cost, by collect calling 416-214-5800, by sending a request to Investor Relations, Marret Asset Management Inc., 150 King Street West, Suite 2304, Toronto, Ontario, M5H 1J9, or by visiting our website at www.marret.ca or SEDAR at www.sedar.com. Unitholders may also contact us using one of these methods to request a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, quarterly portfolio disclosure or independent review committee’s report.

The Fund

The Fund is a closed-end investment fund managed by Marret Asset Management Inc. (the “Manager”). The units of the Fund trade on the Toronto Stock Exchange (“TSX”) under the symbol MHY.UN. Through a Forward Agreement between the Fund and Bank of Nova Scotia (the “Counterparty”), the Fund is exposed to a portfolio of securities (the “Portfolio”) held by Marret HYS Trust. The Portfolio is comprised of debt securities and term loans that are generally rated at or below BB+ from Standard & Poor’s, or Ba1 or less from Moody’s Investor Services, Inc., or a similar rating from a qualified rating agency (collectively, “High Yield Bonds”). The Counterparty has agreed to pay the Fund on May 30, 2014, the economic return provided by the Portfolio. The Portfolio is managed by the Manager.

Investment Objective and Strategies

The Fund was created to achieve the following investment objectives: (i) to maximize total returns for holders of units of the Fund, consisting of both tax-advantaged distributions and capital appreciation, while attempting to reduce risk, and (ii) to provide holders of units of the Fund with attractive monthly tax-advantaged cash distributions, targeted to be 8.00% per year on the original issue price of \$10.00 per unit of the Fund, by obtaining exposure to the Portfolio, which is focused primarily on high yield debt. The specific strategy employed by the Manager from time to time in managing the Portfolio will depend on the phase of the credit cycle.

The return to investors of the Fund is dependent on the return of the Marret HYS Trust’s portfolio pursuant to the Forward Agreement. As a result, this management report of the Fund performance includes discussion of the performance of Marret HYS Trust, where applicable.

Risks

Risks associated with an investment in the units of the Fund are discussed in the Fund’s prospectus dated May 28, 2009 (the “Prospectus”), which is available on the Fund’s website at www.marret.ca or on

SEDAR at www.sedar.com. While there has been no change in the Fund's stated investment strategy, the changes to the Fund in 2009 that have materially affected the risks associated with an investment in the units of the Fund are set out below.

Leverage

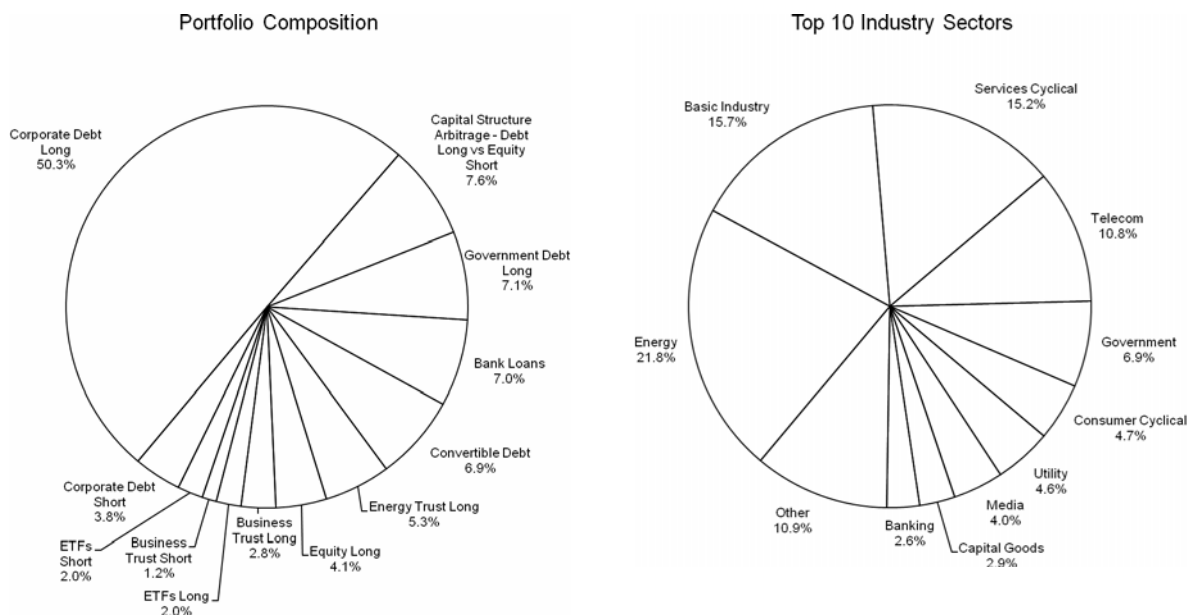
As indicated in the Fund's prospectus, the net exposure of Marret HYS Trust will not exceed 135%, on a daily marked-to-market basis, with net exposure calculated as the value of long security positions, excluding cash and cash equivalents, minus the absolute value of short positions, divided by the Net Asset Value of Marret HYS Trust. At December 31, 2009, the Fund's net exposure was 118.24% of the Net Asset Value of Marret HYS Trust. Any event which adversely affects the value of an investment held by the Fund will be magnified to the extent leverage is employed.

All figures presented in this management report of fund performance are based on the Fund's calculation of its weekly net asset value ("Net Asset Value"), in accordance with the Fund's prospectus which may be calculated on a basis different from the application of Canadian Institute of Chartered Accountants ("CICA") Section 3855, except for the figures presented in the net assets per unit table, which can be found under Financial Highlights. In accordance with National Instrument ("NI") 81-106, the figures in this table must be derived from the financial statements ("Net Assets").

Results of Operations

Investment Portfolio

As of December 31, 2009, Marret HYS Trust held a total of 116 securities and the majority of the Portfolio was invested in High Yield Debt. Other notable asset classes in which Marret HYS Trust is invested include bank loans, convertible debt, government debt and income trusts, among other asset classes. The breakdown of the Portfolio is shown in the accompanying pie charts, and a detailed listing of the Portfolio's security holdings is provided in the financial statements of Marret HYS Trust. As of December 31, 2009, the Portfolio had an average duration of 5.68 years and a yield to maturity of 9.89%.



Calculated as a proportion of gross invested capital of the Fund, excluding cash.

Distributions

During the year ended December 31, 2009, the Fund made monthly cash distributions which totaled \$0.4333 per unit.

Liquidity and Capital Resources

Through the Forward Agreement, the Fund's performance is affected by leverage in Marret HYS Trust. Marret HYS Trust has a credit facility which provides the ability to borrow i) Canadian Dollars at a rate equal to the Bank of Canada Overnight Lending Rate plus a fixed percentage, and ii) U.S. Dollars at a rate equal to Federal Funds Overnight Rate plus a fixed percentage. The facility has been used by Marret HYS Trust to invest in additional portfolio investments. As at December 31, 2009, Marret HYS Trust had net borrowings of \$55.88 million under this facility, representing 24.02% of Net Assets of Marret HYS Trust. During the year ended December 31, 2009, the minimum and maximum amounts of net borrowings of Marret HYS Trust were nil and \$55.88 million, respectively.

The net cash borrowings are reduced by unfunded short positions and affected by other non-cash items, which results in net leverage in Marret HYS Trust of \$42.63 million or 18.24% of Net Asset Value of Marret HYS Trust.

Recent Developments

With the exception of a pullback in the second half of January, credit spreads have narrowed, equity and commodity prices have risen and government bond yields have traded in a very tight range. Economic data in the U.S., Canada and China have generally come in at the higher end of estimates while data from the Euro zone has disappointed. Sovereign debt issues, particularly Greece, have dominated markets and for some part have kept credit and equity markets from moving higher at a faster pace. Rising government bond yields and sovereign debt issues will continue to be a headwind to markets and we have shorted 30yr U.S. Treasury bonds to partially hedge this exposure. Otherwise, the markets have generally followed our macro outlook in the first quarter of 2010.

Related Party Transactions

Related party transactions consist of services provided by the Manager to the Fund. The Manager receives a management fee from the Fund equal to 0.25% per annum of the Net Asset Value of the Fund (or 1.00% in total when combined with the management fee received from Marret HYS Trust), 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 of the Fund. The Manager will pay a fee comparable to the service amount to brokers based on the number of units of the Fund held by clients of such brokers at the end of the relevant quarter. For the period between the inception of the Fund on June 17, 2009 and December 31, 2009, the management fee earned/payable was \$316,399 (\$1,267,941 when combined with the management fee payable by Marret HYS Trust). The service amount payable from the Fund for the same period was \$503,977.

The Manager also receives a performance fee from Marret HYS Trust (the "Performance Fee"). The Performance Fee is determined as of December 31 of each year and for each year is an amount for each unit of Marret HYS Trust then outstanding equal to 15% of the amount by which the sum of (i) the Net Asset Value of such unit (without taking into account the Performance Fee), and (ii) the distributions paid on such unit during the previous 12 months, exceeds 106.35% of the "Threshold Amount". The Threshold Amount for December 31, 2009 was the Net Asset Value per unit of Marret HYS Trust immediately following June 17, 2009, which was \$10.00. For years ending after December 31, 2009, the Threshold Amount is the greater of (i) the Net Asset Value per unit of Marret HYS Trust immediately following

June 17, 2009, which was \$10.00, (ii) the Net Asset Value per unit of Marret HYS Trust on December 31 for the previous fiscal year (after payment of the Performance Fee), and (iii) the Net Asset Value per unit of Marret HYS Trust on December 31 in the last fiscal year in which a Performance Fee was paid (after payment of the Performance Fee). The Performance Fee payable to the Manager for the year ending December 31, 2009 was \$2,766,635.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance for the period since its inception on June 17, 2009 to December 31, 2009. This information is derived from the Fund's audited annual financial statements. The information in the following tables is presented in accordance with NI 81-106 and, as a result, does not act as a continuity of opening and closing Net Assets per unit. The increase (decrease) in Net Assets from operations is based on average units outstanding during the period, and all other numbers are based on actual units outstanding at the relevant point in time.

The Fund's Net Assets per Unit ⁽¹⁾

For the period ended December 31	2009 ⁽²⁾
Net Assets, beginning of period	\$ 10.00
Initial issue expense	(0.56)
Net Assets, beginning of period (net of issue expense)	\$ 9.44
Increase (decrease) from operations: ⁽³⁾	
Total revenue	-
Total expenses	(0.06)
Realized gains (losses) for the period	0.03
Unrealized gains (losses) for the period	1.23
Total increase (decrease) from operations	\$ 1.20
Distributions:	
Return of capital	0.43
Total Distributions ⁽⁴⁾	\$ 0.43
Net Assets, end of period	\$ 10.20

⁽¹⁾ This information is derived from the Fund's audited annual financial statements. The Net Assets per unit presented in the financial statements differs from the Net Asset Value calculated for weekly Net Asset Value purposes. An explanation of these differences can be found in the notes to the financial statements.

⁽²⁾ Information presented is for the period from June 17, 2009 to December 31, 2009.

⁽³⁾ Net assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time. The increase (decrease) in Net Assets from operations per unit is based on the weighted average number of units outstanding over the fiscal period.

⁽⁴⁾ Distributions were paid in cash.

Ratios and Supplemental Data (based on Net Asset Value)

As at December 31		2009 ⁽¹⁾
Total Net Asset Value	\$	231,901,872
Number of Units Outstanding		22,730,000
Consolidated (Fund & Marret HYS Trust)		
Management Expense Ratio ("MER") ⁽²⁾		9.06%
MER excluding Issue Expenses		3.46%
MER excluding Performance Fees & Issue Expenses		2.21%
Trading Expense Ratio ⁽³⁾		0.05%
Portfolio Turnover Rate ⁽⁴⁾		3.74%
Net Asset Value per Unit	\$	10.20
Closing Market Price	\$	10.68

⁽¹⁾ Information presented is for the period from June 17, 2009 to December 31, 2009.

⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) of the Fund and Marret HYS Trust for the stated period, including interest expense and issuance costs, and is expressed as an annualized percentage of daily average Net Asset Value of the period.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value of the Fund during the period.

⁽⁴⁾ The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of investments during the period. The portfolio turnover ratio for Marret HYS Trust is 40.01%.

Expense Ratio

The consolidated MER of the Fund and Marret HYS Trust for the period ended December 31, 2009 is 9.06%. The consolidated MER, excluding issue expenses and performance fees is 2.21% for the same period.

Summary of Investment Portfolio

As at December 31, 2009

Portfolio Composition ⁽¹⁾		Top 25 Holdings ⁽²⁾ (excluding cash & equivalents)	
Category	Percentage of Net Asset Value	Security Name	Percentage of Net Asset Value
Corporate Debt Long	69.7%	Long Positions	
Capital Structure Arbitrage - Debt Long vs Equity Short	10.5%	US Treasury N/B 4.50% 15 Aug 2039	9.8%
Government Debt Long	9.8%	Athabasca Oil Sands Corp 13% 30 Jul 2011	5.2%
Bank Loans	9.7%	Teck Cominco Ltd. 10.75% 15 May 2019	4.3%
Convertible Debt	9.5%	Sherritt Int'l 7.75% 15 Oct 2015	3.0%
Energy Trust Long	7.4%	Texas Competitive Electric Hldgs Term Loan	2.6%
Equity Long	5.7%	Cogeco Cable	2.4%
Business Trust Long	3.9%	Dave Wireless 15% 25 Sep 2018	2.3%
ETFs Long	2.8%	Gibson Energy ULC 11.75% 27 May 2014	2.3%
Business Trust Short	-1.6%	Davis + Henderson Income Fund	2.3%
ETFs Short	-2.8%	New Gold 5% 28 Jun 2014	2.2%
Corporate Debt Short	-5.3%	Chester Downs Term Loan 31 Jul 2016	2.2%
Cash and Cash Equivalents	-19.2%	NRG Energy Inc 8.5% 15 Jun 2019	2.2%
		MGM Mirage Inc. 13% 15 Nov 2013	1.9%
		MGM Mirage Inc. 6.75% 1 Sep 2012	1.9%
		Wynn Las Vegas 6.625% 1 Dec 2014	1.9%
		Calpine Construction 8% 1 Jun 2016	1.8%
		iShares Cdn S&P/TSX Cap Gold	1.8%
		Canadian Oil Sands Trust	1.8%
		Enerplus Resources Fund	1.8%
		GMAC Canada Ltd 6.0% 25 May 2010	1.7%
		Enterra Energy Trust 8.0% 31 Dec 2011	1.6%
		Baytex Energy Trust	1.6%
		Hertz Corp 8.875% 1 Jan 2014	1.6%
		Short Positions	
		iShares Russell 2000 Index	-1.8%
		Riocan Real Estate Investment Trust	-1.6%
		Total Portfolio Longs	130.8%
		Total Portfolio Shorts	-11.6%

⁽¹⁾ Through the Forward Agreement, the Fund is exposed to the value of the investment portfolio of Marret HYS Trust. A summary of the investment portfolio of Marret HYS Trust is included above.

⁽²⁾ The top 25 holdings of Marret HYS Trust have been presented in accordance with NI 81-106.

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of each quarter end.

2009 Tax Information

The following information is applicable to unitholders who, for the purpose of the Income Tax Act (Canada), are resident in Canada and hold units as capital property outside of an RRSP, RRIF or DPSP. Unitholders should receive a T3 slip from their investment dealer providing this information.

T3 supplementary slips for holdings of the fund will indicate Return of Capital in Box 42. The return of capital component is a non-taxable amount that serves to reduce the adjusted cost base of the Fund units.

The following table outlines the breakdown of the Fund's distributions declared in 2009 on a per unit basis.

Record Date	Payment Date	Return of Capital	Total Distribution
31-Jul-2009	17-Aug-2009	\$ 0.09830	\$ 0.09830
30-Aug-2009	15-Sep-2009	0.06700	0.06700
30-Sep-2009	15-Oct-2009	0.06700	0.06700
30-Oct-2009	13-Nov-2009	0.06700	0.06700
30-Nov-2009	14-Dec-2009	0.06700	0.06700
31-Dec-2009	15-Jan-2010	0.06700	0.06700
Total		\$ 0.43330	\$ 0.43330

This information is of a general nature only and does not constitute legal or tax advice to any particular investor. Accordingly, investors are advised to consult their own tax advisors with respect to their individual circumstances.

Portfolio Manager

Marret Asset Management Inc.

Marret Asset Management is a credit fixed income manager. The firm advises on over \$4 billion in high yield and investment grade corporate debt assets for institutional and retail clients. Marret is registered as a Portfolio Manager, Exempt Market Dealer and Commodity Trading Manager with the Ontario Securities Commission. The firm was founded in Toronto by Barry Allan and began operations in late 2001. Marret is 100% employee-owned and is committed to maintaining significant employee ownership in order to assemble the most qualified credit team and to achieve the best possible returns for clients.

Portfolio Manager's Report

We believe it is important to reflect on 2008 and 2009 combined as the 2008 losses were driven by the credit crisis and the 2009 gains were directly attributable to the massive intervention of central banks and government stimulus programs. This was truly a unique period in financial history. We saw the entire global banking system fail, U.S. Treasury Bills trade at negative yields, high yield credit spreads reach nearly 2200 bp (vs. a previous record high of 1100 b.p.) and equities rally nearly 65% over nine months without a 10% correction. We also believe it is highly probable that the aftermath of the credit crisis is likely to produce a set of economic circumstances that is unlike that of any economic cycle post WWII.

Our outlook for 2010 is surprisingly positive despite being bearish over a longer time frame. We also expect volatility to increase and perhaps have a couple of sharp down trades in an otherwise positive uptrend. Markets also will be focused on central bank policies and government bond yields. "Exit" strategies for the massive stimulus programs will likely be the source of this increased volatility. There is growing pressure on the U.S. Fed to outline an exit strategy to avoid perhaps an even bigger inflation problem down the road. Bernanke must somehow keep stimulating the economy while at the same time

show some evidence that they have a plan to shrink their balance sheet and slowly reduce the speed of the printing presses. We believe the Fed will be successful in this process for perhaps this year, but longer term balancing these competing objectives without significant problems is unlikely.

Our view of 2010 economic growth is above consensus. This is based on a view that:

1. There are still significant stimulus funds to be spent;
2. The traditional 12-18 month lag of monetary policy;
3. We do not see the Fed raising rates materially or reducing the liquidity support programs significantly; and
4. General stability or even a small bounce in the U.S. dollar.

It is entirely possible that the economy will perform as if we are in the midst of a strong V shaped recovery and markets will react positively. We do not think the V is the likely outcome longer term but in the near term it will appear possible.

We believe the key to markets in 2010 will be how the Fed manages the process of keeping economic growth from stalling without creating future inflationary problems. The U.S. dollar will likely be supported by stronger growth, and the negative correlation of equities and oil to the dollar is breaking down. This leaves the U.S. Treasury bond market as the key indicator of how markets will fare in 2010. A premature withdrawal of stimulus will lead to double dip recession and failure to manage this process could lead to an inflation scare which would be a negative for both equities and high yield debt.

The basis for our positive 2010 outlook is a generally stable bond market. The Fed needs to keep liquidity high while managing Treasury yields within a reasonable range. In this environment, high yield spreads can narrow 100-150 bp and returns can be high single digits or possibly 10-11%. We expect volatility to increase but markets to perform well.

The Portfolio will continue to be high quality and highly liquid in case the environment turns out to be less positive than our core premise. We continue to focus on investments in quality companies with strong balance sheets and in securities with strong capital structure positioning. We have also maintained our focus on investments in debt with equity warrants of companies in the resource sector, and recognize the value of selectively complimenting the portfolio with higher yielding total return investments where we view the investments' risk/reward profile to be sufficiently compelling.

Forward-Looking Statements

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may," "will," "should," "could," "anticipate," "believe," "expect," "intend," "plan," "potential," "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based on what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.

Corporate Information

Independent Review Committee

John Anderson, CA

Richard Stone

Ross MacKinnon

Directors and Officers

Barry Allan
President, Director

Paul Sandhu
Vice President, Director

David Gluskin
Vice President, Director

Lara Misner, CFA
Vice President, Chief Financial Officer

Dorothea Mell, CFA
Vice President, Corporate Secretary

Adrian Prenc, CFA, FRM
Vice President

Trustee

Equity Transfer & Trust Company

Transfer Agent & Registrar

Computershare Investor Services Inc.

Custodian

CIBC Mellon Trust Company

Prime Broker

Scotia Capital Inc.

Auditors

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