



Interim Financial Statements

Marret HYS Trust

(unaudited)

June 30, 2011

Marret HYS Trust - Semi Annual Report 2011

Statements of Net Assets

As at (unaudited)	June 30 2011	December 31 2010
Assets		
Investments, at fair value (note 12)	\$ 446,591,512	\$ 397,739,327
Cash and cash equivalents	44,266,653	14,435,886
Cash held at broker, margin deposit	15,137,476	19,326,410
Cash margin on swaps	2,796,469	1,849,957
Receivable for portfolio securities sold	1,189,826	10,422,416
Accrued interest and dividend receivable	6,057,303	5,445,923
Unrealized gain on foreign forward currency contracts (note 4)	5,594,883	7,336,934
Total assets	521,634,122	456,556,853
Liabilities		
Investments - short positions, at fair value (note 12)	96,401,333	32,708,298
Payable for portfolio securities purchased	8,416,531	2,309,679
Interest and dividend payable, short positions	688,928	137,557
Accrued liabilities	307,945	317,796
Accrued performance fee (note 8)	-	4,651,418
Unrealized loss on credit default swap agreement (note 5)	600,783	305,896
Unrealized loss on foreign forward currency contracts (note 4)	486,630	63,192
Total liabilities	106,902,150	40,493,836
Net Assets representing unitholders' equity	\$ 414,731,972	\$ 416,063,017
Units outstanding (note 7)	31,583,069	32,935,876
Net Assets per unit (note 3)	\$ 13.13	\$ 12.63

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

(signed)

Barry Allan
President & Chief Executive Officer

(signed)

Marcus Spain
Chief Financial Officer

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

Marret HYS Trust - Semi Annual Report 2011

Statements of Operations

For the six-month periods ended June 30 (unaudited)	June 30 2011	June 30 2010
Income		
Interest revenue	\$ 14,751,685	\$ 11,261,354
Dividend revenue	282,727	44,607
Income / (loss) from credit default swaps	(1,237,557)	295,131
Total income	13,796,855	11,601,092
Expenses		
Management fees (note 8)	1,773,966	939,309
Audit fees	31,382	8,300
Custodial fees	25,127	14,434
Legal fees	-	(8,077)
Regulatory fees	297	-
Interest expense	-	122,500
Securities borrowing fees	278,175	118,920
Performance fees (note 8)	-	55,291
Interest expense, short positions	1,573,525	461,363
Dividend expense, short positions	53,102	88,723
Total expenses	3,735,574	1,800,763
Net investment income / (loss)	10,061,281	9,800,329
Realized and unrealized gain / (loss) on investments		
Net realized gain / (loss) on sale of investments	13,227,036	9,435,403
Net realized gain / (loss) on credit default swaps	1,319,736	255,612
Net realized gain / (loss) on foreign forward currency contracts	16,974,228	(5,499,854)
Net realized gain / (loss) on foreign currency	(4,714,236)	8,088,065
Transaction costs (note 2)	(60,182)	(49,966)
Change in unrealized appreciation / (depreciation) on investments	(18,141,635)	(1,900,545)
Change in unrealized appreciation / (depreciation) on credit default swaps	(294,887)	(85,303)
Change in unrealized appreciation / (depreciation) on foreign forward currency contracts	(2,165,489)	(4,756,550)
Change in unrealized appreciation / (depreciation) on foreign currency	164,212	(144,199)
Realized and unrealized gain (loss) on investments	6,308,783	5,342,663
Increase / (decrease) in net assets from operations	\$ 16,370,064	\$ 15,142,992
Increase / (decrease) in net assets from operations per unit ⁽¹⁾	\$ 0.50	\$ 0.73

⁽¹⁾ Based on the weighted average number of units outstanding for the period.

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

Marret HYS Trust - Semi Annual Report 2011

Statements of Changes in Net Assets

	June 30	June 30
For the six-month periods ended June 30 (unaudited)	2011	2010
Net Assets, beginning of period	\$ 416,063,017	\$ 232,592,268
Operations:		
Increase / (decrease) in net assets from operations	16,370,064	15,142,992
Unitholder transactions:		
Payments on redemption of units	(17,701,109)	(10,309,144)
Total unit transaction	(17,701,109)	(10,309,144)
Increase / (decrease) in Net Assets	(1,331,045)	4,833,848
Net Assets, end of period	\$ 414,731,972	\$ 237,426,116

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

Marret HYS Trust - Semi Annual Report 2011

Statements of Cash Flows

For the six-month periods ended June 30 (unaudited)	June 30 2011	June 30 2010
Cash flows provided by / (used in) operating activities:		
Net investment income / (loss)	\$ 10,061,281	\$ 9,800,329
Proceeds from settlement of foreign currency and foreign forward currency contracts	12,424,204	2,444,012
Proceeds from settlement of credit default swaps	1,319,736	255,612
Proceeds from sale of investments	315,232,523	219,733,536
Proceeds from investments in short positions	151,148,620	46,612,656
Purchase of investments	(350,559,110)	(158,351,997)
Purchase of investments to cover short positions	(90,556,340)	(49,562,402)
Commission and other portfolio transaction costs	(60,182)	(49,966)
Net change in working capital	(5,667,790)	(4,361,804)
Cash provided by / (used in) operating activities	43,342,942	66,519,976
Cash flows provided by / (used in) financing activities:		
Change in due to broker	-	(58,887,191)
Change in cash held at broker, margin deposit	4,188,934	-
Payments on redemption of units	(17,701,109)	(10,309,144)
Cash provided by / (used in) financing activities	(13,512,175)	(69,196,335)
Net increase / (decrease) in cash and cash equivalents	29,830,767	(2,676,359)
Cash and cash equivalents, beginning of the period	14,435,886	4,238,349
Cash and cash equivalents, end of period	\$ 44,266,653	\$ 1,561,990
Supplemental Information		
Cash paid for interest	-	122,500
Cash interest paid on short positions	1,080,603	461,363

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Marret HYS Trust - Semi-Annual Report 2011

Statement of Investment Portfolio

As at June 30, 2011 (unaudited)

Number of Shares/ Par Value		Average Cost (\$)	Fair Value (\$)
Canadian Bonds			
7,450,000	Government of Canada, 4.000%, 2041/06/01	8,120,500	8,068,350
Government of Canada & Guaranteed (1.95%, 2010: 0.00%)		8,120,500	8,068,350
458,000	Equal Energy Ltd., Convertible, 8.250%, 2012/06/30	371,504	435,100
8,040,000	New Gold Inc., Convertible, 5.000%, 2014/06/28	7,865,121	9,487,200
2,147,000	Prizm Income Fund, Convertible, Callable, 6.500%, 2012/06/30	1,592,396	198,705
Canadian Convertible Bonds (2.44%, 2010: 6.10%)		9,829,021	10,121,005
5,580,000	Baytex Energy Corp., Series 'B', Callable, 6.750%, 2021/02/17 (USD)	5,525,874	5,448,052
5,695,000	BCE Generic Residual, Zero Coupon, 2054/12/01	238,222	269,829
3,250,000	BCE Inc., Zero Coupon, 2021/04/15	1,586,585	1,957,119
9,785,000	Canadian Satellite Radio Holdings Inc., Callable, Restricted, 9.750%, 2018/06/21	8,867,238	9,980,700
2,410,000	Connacher Oil and Gas Ltd., Callable, 8.500%, 2019/08/01 (USD)	2,346,136	2,207,764
1,300,000	Connacher Oil and Gas Ltd., Callable, Restricted, 8.750%, 2018/08/01	1,300,000	1,280,500
875,000	Data & Audio Visual Enterprises Wireless Inc., Callable, 9.500%, 2018/04/29	875,000	877,188
7,510,139	Data & Audio-Visual Enterprises Holdings Inc., Pay-In-Kind, Callable, 15.000%, 2018/09/25	7,450,882	7,022,280
1,910,000	Harvest Operations Corp., Callable, 6.875%, 2017/10/01 (USD)	1,971,863	1,901,671
6,728,000	New Gold Inc., Callable, 10.000%, 2017/06/28	6,718,383	7,094,676
204,390	Newport Inc., 3.624%, 2014/03/23	90,789	97,106
1,321,000	Newport Inc., 8.000%, 2016/03/23	846,802	1,056,800
4,345,000	NOVA Chemicals Corp., 6.500%, 2012/01/15 (USD)	4,578,936	4,263,205
2,015,000	NOVA Chemicals Corp., Callable, 8.625%, 2019/11/01 (USD)	2,089,943	2,164,087
1,475,000	Novelis Inc. / GA, Callable, 8.375%, 2017/12/15 (USD)	1,503,941	1,518,350
7,860,000	Quadra FNX Mining Ltd., Callable, 7.750%, 2019/06/15 (USD)	7,677,648	7,655,190
2,090,000	Savanna Energy Services Corp., Callable, 7.000%, 2018/05/25	2,090,000	2,079,550
1,074,000	Sherritt International Corp., Series 'B', Callable, 8.250%, 2014/10/24	1,170,531	1,160,188
2,455,000	Sherritt International Corp., Series 'C', Callable, 7.750%, 2015/10/15	2,163,827	2,639,911
3,640,000	Teck Resources Ltd., Callable, 10.250%, 2016/05/15 (USD)	4,346,022	4,194,511
1,610,000	Thompson Creek Metals Co. Inc., Callable, 7.375%, 2018/06/01 (USD)	1,573,635	1,521,472
795,000	Tree Island Wire Income Fund, Convertible, 10.000%, 2014/11/26	795,000	795,000
3,740,000	Videotron Ltee, Callable, 6.875%, 2021/07/15	3,740,000	3,768,050
Canadian Corporate Bonds (17.11%, 2010: 15.79%)		69,547,257	70,953,199
Total Canadian Bonds (21.50%, 2010: 21.89%)		87,496,778	89,142,554
United States Bonds			
29,240,000	United States Treasury Bond, 4.375%, 2041/05/15 (USD)	29,562,119	28,152,137
U.S. Federal Bonds & Guaranteed (6.79%, 2010: 0.00%)		29,562,119	28,152,137
1,857,000	ABI Escrow Corp., Callable, 10.250%, 2018/10/15 (USD)	1,944,324	1,938,438
4,380,000	AT&T Corp., Callable, 5.350%, 2040/09/01 (USD)	4,341,371	4,003,438
1,590,000	Avis Budget Car Rental LLC / Avis Budget Finance Inc., Callable, 7.750%, 2016/05/15 (USD)	1,589,204	1,560,068
4,970,000	Avis Budget Car Rental LLC / Avis Budget Finance Inc., Callable, 8.250%, 2019/01/15 (USD)	5,076,160	4,852,477
1,740,000	BreitBurn Energy Partners L.P., Callable, 8.625%, 2020/10/15 (USD)	1,787,790	1,770,165
2,100,000	Cablevision Systems Corp., Callable, 8.625%, 2017/09/15 (USD)	2,216,296	2,194,626
950,000	Calfrac Holdings L.P., Callable, 7.500%, 2020/12/01 (USD)	944,658	925,246
6,465,000	Calpine Construction Finance Co. L.P., Callable, 8.000%, 2016/06/01 (USD)	6,968,449	6,732,933
2,530,000	Calpine Corp., Callable, 7.500%, 2021/02/15 (USD)	2,555,805	2,488,472
800,000	Calpine Corp., Callable, 7.875%, 2023/01/15 (USD)	795,221	794,583
2,870,000	CB Richard Ellis Services Inc., Callable, 11.625%, 2017/06/15 (USD)	3,301,521	3,206,887
590,000	CB Richard Ellis Services Inc., Callable, 6.625%, 2020/10/15 (USD)	599,960	584,583
2,480,000	CCO Holdings LLC / CCO Holdings Capital Corp., Callable, 7.250%, 2017/10/30 (USD)	2,495,158	2,478,154
780,000	CCO Holdings LLC / CCO Holdings Capital Corp., Callable, 6.500%, 2021/04/30 (USD)	747,240	741,812
3,070,000	Chaparral Energy Inc., Callable, 8.875%, 2017/02/01 (USD)	3,116,438	3,064,014
1,160,000	Chaparral Energy Inc., Callable, 9.875%, 2020/10/01 (USD)	1,197,878	1,208,075
7,290,000	Charter Communications Operating LLC, Callable, 8.000%, 2012/04/30 (USD)	7,540,926	7,306,306
6,720,000	Charter Communications Operating LLC, Callable, 10.875%, 2014/09/15 (USD)	7,694,054	7,128,103

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

Statement of Investment Portfolio (continued)

As at June 30, 2011 (unaudited)

Number of Shares/ Par Value		Average Cost (\$)	Fair Value (\$)
United States Bonds (continued)			
3,770,000	Chrysler Group LLC / CG Co-Issuer Inc., Callable, 8.250%, 2021/06/15 (USD)	3,670,096	3,562,702
2,575,000	Clayton Williams Energy Inc., Callable, 7.750%, 2019/04/01 (USD)	2,499,421	2,433,410
3,100,000	Clearwire Communications LLC / Clearwire Finance Inc., Callable, 12.000%, 2015/12/01 (USD)	3,260,199	3,191,109
3,375,000	Clearwire Communications LLC / Clearwire Finance Inc., Callable, 12.000%, 2015/12/01 (USD)	3,638,471	3,486,395
3,030,000	Dollar General Corp., Callable, 10.625%, 2015/07/15 (USD)	3,151,960	3,082,356
2,945,000	Drummond Co. Inc., Callable, 9.000%, 2014/10/15 (USD)	3,100,558	2,988,955
2,300,000	Eldorado Resorts LLC / Eldorado Capital Corp., Callable, 8.625%, 2019/06/15 (USD)	2,231,229	2,062,637
690,000	Energy Future Holdings Corp./EFIH Finance Inc., Callable, 10.000%, 2020/12/01(USD)	707,859	709,587
2,145,000	EV Energy Partners L.P. / EV Energy Finance Corp., Callable, 8.000%, 2019/04/15 (USD)	2,111,538	2,076,179
6,115,000	Ford Motor Credit Co. LLC, 7.800%, 2012/06/01 (USD)	6,487,768	6,166,649
2,075,000	GenOn Energy Inc., Callable, 9.500%, 2018/10/15 (USD)	2,083,675	2,080,959
4,935,000	Harrah's Operating Co. Inc., Callable, 11.250%, 2017/06/01 (USD)	5,422,156	5,252,546
4,020,000	HCA Inc., Callable, 9.250%, 2016/11/15 (USD)	4,197,518	4,113,919
6,095,000	HCA Inc., Callable, 8.500%, 2019/04/15 (USD)	6,828,678	6,494,534
1,485,000	Hertz Corp. (The), 8.875%, 2014/01/01 (USD)	1,516,184	1,467,785
1,690,000	Hertz Corp. (The), 7.500%, 2018/10/15 (USD)	1,739,684	1,678,556
1,780,000	Hertz Corp. (The), 6.750%, 2019/04/15 (USD)	1,753,066	1,699,289
1,645,000	Hertz Corp. (The), Callable, 7.375%, 2021/01/15 (USD)	1,660,298	1,614,033
3,320,000	Icon Health & Fitness Inc., Callable, 11.875%, 2016/10/15 (USD)	3,357,878	3,265,504
8,710,000	Johnson & Johnson, Callable, 4.500%, 2040/09/01 (USD)	8,247,385	7,686,769
5,130,000	Johnson & Johnson, Callable, 4.850%, 2041/05/15 (USD)	4,955,179	4,788,227
2,070,000	Level 3 Escrow Inc., Callable, 8.125%, 2019/07/01 (USD)	2,030,713	2,006,081
4,275,000	Level 3 Financing Inc., Callable, 9.250%, 2014/11/01 (USD)	4,298,904	4,240,900
4,970,000	Level 3 Financing Inc., Callable, 9.375%, 2019/04/01 (USD)	4,906,018	4,936,347
3,260,000	Limited Brands Inc., Callable, 8.500%, 2019/06/15 (USD)	3,684,467	3,583,723
1,770,000	Limited Brands Inc., Callable, 6.625%, 2021/04/01 (USD)	1,749,153	1,745,214
4,050,000	LINN Energy LLC / LINN Energy Finance Corp., Callable, 8.625%, 2020/04/15 (USD)	4,199,011	4,237,374
1,460,000	LINN Energy LLC / LINN Energy Finance Corp., Callable, 7.750%, 2021/02/01 (USD)	1,490,281	1,464,193
2,950,000	Marina District Finance Co. Inc., Callable, 9.875%, 2018/08/15 (USD)	2,935,860	2,951,360
8,355,000	McDonald's Corp., 6.300%, 2038/03/01 (USD)	9,961,087	9,302,092
1,580,000	MEMC Electronic Materials Inc., Callable, 7.750%, 2019/04/01 (USD)	1,535,905	1,504,549
2,920,000	MetroPCS Wireless Inc., Callable, 6.625%, 2015/11/15 (USD)	2,883,721	2,787,598
1,040,000	MetroPCS Wireless Inc., Callable, 7.875%, 2018/09/01 (USD)	1,084,513	1,061,790
5,630,000	MGM Resorts International, 13.000%, 2013/11/15 (USD)	6,930,386	6,446,946
5,710,000	MGM Resorts International, Callable, 6.750%, 2012/09/01 (USD)	5,546,059	5,533,682
1,570,000	Michaels Stores Inc., Callable, 7.750%, 2018/11/01 (USD)	1,572,018	1,517,735
6,270,000	Microsoft Corp., 3.000%, 2020/10/01 (USD)	5,827,070	5,736,511
5,140,000	Microsoft Corp., 5.300%, 2041/02/08 (USD)	5,045,763	5,084,576
6,450,000	NBC Universal Inc., Callable, 5.950%, 2041/04/01 (USD)	6,708,839	6,324,797
2,805,000	NII Capital Corp., Callable, 10.000%, 2016/08/15 (USD)	3,153,019	3,137,638
1,940,000	NRG Energy Inc., Callable, 7.380%, 2017/01/15 (USD)	2,006,707	1,959,602
2,990,000	NRG Energy Inc., Callable, 7.625%, 2019/05/15 (USD)	2,868,171	2,868,840
4,105,000	NRG Energy Inc., Callable, 8.500%, 2019/06/15 (USD)	4,437,067	4,096,996
6,085,000	Procter & Gamble Co. (The), Callable, 4.700%, 2019/02/15 (USD)	6,581,059	6,475,294
6,400,000	Procter & Gamble Co. (The), Callable, 5.550%, 2037/03/05 (USD)	7,036,282	6,597,384
6,065,000	Qwest Communications International Inc., Callable, 8.000%, 2015/10/01 (USD)	6,536,505	6,360,219
4,220,000	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC, Callable, 7.750%, 2016/10/15 (USD)	4,316,674	4,242,292
1,930,000	Sally Holdings LLC, Callable, 9.250%, 2014/11/15 (USD)	1,979,266	1,935,542
1,785,000	Sirius XM Radio Inc., 8.750%, 2015/04/01 (USD)	1,834,051	1,897,706
3,335,000	Trilogy International Partners LLC, Callable, 10.250%, 2016/08/15 (USD)	3,305,714	3,264,179
4,225,000	Visteon Corp., Callable, 6.750%, 2019/04/15 (USD)	4,068,254	3,931,570
6,450,000	Wal-Mart Stores Inc., 5.000%, 2040/10/25 (USD)	6,469,451	5,856,072
5,060,000	Xinergy Corp., Callable, 9.250%, 2019/05/15 (USD)	4,799,917	4,928,150
2,955,000	XM Satellite Radio Inc., Callable, 7.625%, 2018/11/01 (USD)	2,987,482	2,977,733
U.S. Corporate Bonds (61.20%, 2010: 51.54%)		262,302,640	253,875,165
U.S. Bonds - Short Positions			
(7,560,000)	United States Treasury Bond, 2.625%, 2020/11/15 (USD)	(7,078,163)	(7,023,565)
(9,610,000)	United States Treasury Bond, 4.375%, 2040/05/15 (USD)	(10,172,060)	(9,264,075)

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Statement of Investment Portfolio (continued)

As at June 30, 2011 (unaudited)

Number of Shares/ Par Value	Average Cost (\$)	Fair Value (\$)
U.S. Bonds - Short Positions (continued)		
(28,070,000) United States Treasury Bond, 4.250%, 2040/11/15 (USD)	(26,644,746)	(26,467,337)
(16,385,000) United States Treasury Bond, 4.750%, 2041/02/15 (USD)	(16,641,999)	(16,799,909)
(7,090,400) United States Treasury Bond, Callable, 3.875%, 2040/08/15 (USD)	(6,145,120)	(6,262,516)
U.S. Federal Bonds & Guaranteed - Short (-15.87%, 2010: -5.25%)	(66,682,088)	(65,817,402)
Total U.S. Bonds (52.12%, 2010: 46.29%)	225,182,671	216,209,900
International Bonds		
2,100,000 Calcipar SA, Callable, 6.875%, 2018/05/01 (USD)	2,089,848	2,030,092
1,340,000 Mirabela Nickel Ltd., Callable, 8.750%, 2018/04/15 (USD)	1,285,462	1,285,701
2,465,000 Wind Acquisition Finance SA, Callable, 7.250%, 2018/02/15 (USD)	2,497,469	2,472,079
Total International Bonds (1.40%, 2010: 1.74%)	5,872,779	5,787,872
Total Bonds (75.02%, 2010: 69.92%)	318,552,228	311,140,326
Term Loans		
2,319,891 Allison Transmission Inc., Variable Rate, 2.960 %, 2014/08/07 (USD)	2,222,556	2,192,329
3,605,720 Caesars Entertainment Operating Company, Variable Rate, 9.500%, 2016/10/31 (USD)	3,825,630	3,633,459
5,651,365 Chester Downs and Marina LLC, Variable Rate, 12.375%, 2016/07/31 (USD)	5,782,524	5,531,354
2,174,823 Gateway Casinos and Entertainment Ltd., Variable Rate, 7.500%, 2016/04/20 (CAD)	2,159,476	2,180,260
4,182,281 Michaels Stores Inc., Variable Rate, 2.563%, 2013/10/31 (USD)	3,988,870	3,957,354
12,875,000 Newport Finance Corp., Variable Rate, 9.500%, 2013/12/20 (CAD)	12,875,000	12,875,000
7,988,581 Texas Competitive Electric Holdings Co. LLC, Variable Rate, 4.706%, 2017/10/10 (USD)	6,463,563	6,047,158
Total Term Loans (8.78%, 2010: 9.64%)	37,317,619	36,416,914
Canadian Equities		
173,890 Athabasca Oil Sands Corp.	2,478,062	2,634,434
241,700 Canada Lithium Corp.	362,550	147,437
96,000 Cogeco Cable Inc.	2,955,329	4,320,960
86,700 Crescent Point Energy Corp.	3,914,773	3,851,214
298,558 Crocodile Gold Corp.	348,318	217,947
949,600 Crocodile Gold Corp., Warrants, 2012/10/15	-	6,253
99,844 Data & Audio-Visual Enterprises Holdings Inc., Class 'B', Warrants, 2018/09/25	-	319,600
29,764 Data & Audio-Visual Enterprises Holdings Inc., Warrants, 2018/09/25	-	95,275
49,600 iShares S&P/TSX Capped Energy Index Fund	1,011,607	980,096
369,790 iShares S&P/TSX Global Gold Index Fund	8,347,730	8,401,629
748,600 Pacific Coal Resources Ltd.	1,010,610	501,562
374,300 Pacific Coal Resources Ltd., Warrants, 2016/03/14	-	41,173
297,300 Sherritt International Corp.	1,968,974	1,822,449
83,190 Silver Wheaton Corp.	2,754,096	2,647,106
397,500 Tree Island Wire Income Fund, Warrants, 2014/11/26	-	9,870
125,495 Veresen Inc.	1,062,765	1,741,871
1,593,735 Westaim Corp.	796,868	796,868
Canadian Equities - Long (6.88%, 2010: 9.67%)	27,011,682	28,535,744

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Statement of Investment Portfolio (continued)

As at June 30, 2011 (unaudited)

Number of Shares/ Par Value	Average Cost (\$)	Fair Value (\$)
Canadian Equities - Short Positions		
(8,300) Alimentation Couche-Tard Inc., Class 'B'	(215,821)	(233,479)
(17,200) Dollarama Inc.	(571,702)	(561,924)
(152,500) iShares CDN S&P/TSX Capped REIT Index Fund	(2,233,965)	(2,282,925)
(246,300) RioCan REIT	(6,049,927)	(6,391,485)
Canadian Equities - Short (-2.28%, 2010: -1.14%)	(9,071,415)	(9,469,813)
Total Canadian Equities (4.60%, 2010: 8.53%)	17,940,267	19,065,931
United States Equities		
31,325 SPDR Gold Trust	4,340,256	4,409,572
320,000 Xinery Ltd., Warrants, 2012/10/31 (CAD)	43,260	271,554
U.S. Equities - Long (1.13%, 2010: 1.11%)	4,383,516	4,681,126
United States Equities - Short Positions		
(38,090) Calpine Corp.	(594,475)	(593,192)
(36,140) CB Richard Ellis Group Inc., Class 'A'	(547,125)	(875,078)
(19,300) Crown Holdings Inc.	(762,953)	(722,851)
(147,600) iShares Russell 2000 Index Fund	(11,766,676)	(11,792,093)
(1,141,200) Level 3 Communications Inc.	(2,497,344)	(2,685,119)
(457,500) Sirius XM Radio Inc.	(866,018)	(970,567)
(67,400) SPDR S&P Retail ETF	(3,374,064)	(3,475,218)
U.S. Equities - Short (-5.09%, 2010: -1.47%)	(20,408,655)	(21,114,118)
Total U.S. Equities (-3.96%, 2010: -0.36%)	(16,025,139)	(16,432,992)
Total Equities (0.64%, 2010: 8.17%)	1,915,128	2,632,939
Investments (note 2)	453,947,133	446,591,512
Investments, short positions (note 2)	(96,162,158)	(96,401,333)
Less: Transaction cost	(64,467)	
Total Investments (84.44%, 2010: 87.73%)	357,720,508	350,190,179
Margin (0.67%, 2010: 0.44%)		2,796,469
Unrealized gain on foreign forward currency contracts (1.35%, 2010: 1.76%) (note 4)		5,594,883
Unrealized loss on foreign forward currency contracts (-0.12%, 2010: -0.01%) (note 4)		(486,630)
Unrealized gain / (loss) on credit default swaps (-0.14%, 2010: -0.07%) (note 5)		(600,783)
Other assets, less liabilities (13.80%, 2010: 10.15%)		57,237,854
Total Net Assets (100.00%)		414,731,972

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

Marret HYS Trust – Semi Annual Report 2011

Notes to the Financial Statements (unaudited)

June 30, 2011

1. Fund Activities

Marret HYS Trust (the “Trust”) is an investment fund established under the laws of the Province of Ontario and is governed by a declaration of trust dated May 28, 2009. The Trust will issue units from time to time in reliance on exemptions from applicable prospectus and registration requirements.

The Trust's investment objectives are to maximize total returns for the holder of units consisting of both distributions and capital appreciation while reducing risk. The Trust has been established for the purposes of acquiring and holding investments focused primarily on high yield debt securities. The Portfolio is actively managed by Marret Asset Management Inc. (“Marret” or “the Manager”) using high yield debt strategies designed to maximize risk-adjusted returns and preserve capital in each phase of the credit cycle. The goal is to generate returns consistent with long-term performance of equity indices, but with the volatility and risk characteristics consistent with 10-year U.S. Treasury notes.

Marret employs hedging strategies, including short selling securities and holding cash, designed to generate positive returns and/or protect the Portfolio against the risk of losses from currency fluctuations, interest rate changes and market declines. It is intended that the majority (and not less than 75%) of the Portfolio investments denominated in foreign currencies will be hedged to the Canadian dollar.

The Trust is a vehicle to allow the Marret High Yield Strategies Fund (“the Fund”) to meet its investment objectives. The Fund used the net proceeds of its offerings to prepay its obligations under a forward purchase and sale agreement (the “Forward Purchase Agreement”) with The Bank of Nova Scotia (the “Counterparty”). Such net proceeds were invested by the Counterparty into the Trust. The cash received from the Counterparty was used by the Trust to purchase the Portfolio.

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 Trust's investments 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 for securities held long and at their ask prices for securities held short. Investments held with no available bid or ask prices are valued at their closing sale prices. Investments held that are not traded in an active market are valued based on the results of valuation techniques using observable market inputs, if available, on such basis and in such manner established by the Manager. The fair value of certain securities may be estimated using valuation techniques based on assumptions that are not supported by observable market inputs.

Investments for which reliable quotations are not readily available, or for which there is no bid or ask price, are valued at fair value as determined using management's best estimates thereof pursuant to procedures established by the Manager. Short-term notes and treasury bills are valued at their fair value.

The cost of investments represents the amount paid for each security, and is determined on an average cost basis excluding commissions and other portfolio transaction costs, where applicable. The difference between fair value and the average cost of investments is recorded as unrealized appreciation/ (depreciation) of investments.

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

Transaction Costs

Trading commissions incurred for investments bought and sold are included as an expense in the statements of operations.

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.

Income Recognition

Distributions from underlying trusts, dividend income and dividend expense are recorded on an ex-dividend date basis. Interest income, interest expense, securities lending income and security borrowing fees are recorded on an accrual basis.

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 Trust, divided by the weighted average number of units of the Trust outstanding during the period.

Foreign forward currency contracts

Foreign forward currency contracts entered into by the Trust are financial agreements to buy or sell a specific amount of an underlying currency for an agreed upon price at a future date. The fair value of these contracts is the gain or loss that would be recognized if the position was closed out on the valuation date, and is recorded as an unrealized gain (loss).

Credit default swaps

Credit default swaps are agreements to mitigate credit risk exposure to certain issuing entities ("Referenced Entity") held by the Trust or to increase credit risk exposure to the Referenced Entity by creating a notional investment position for the Trust. Where a notional investment position is created, the credit risk exposure of the Trust is comparable to the exposure that would have resulted if the Trust has invested directly in the Referenced Entity. Under a credit default swap agreement, the protection buyer, whose intention is to reduce its credit risk exposure to the Referenced Entity, pays a premium to the protection seller, who assumes the credit risk of a default of the bond of a Referenced Entity. This premium is paid at regular intervals over the term of the swap agreement. In return for the premium paid, the protection buyer is entitled to receive from the protection seller full payment for a loss arising from a credit default event of the Referenced Entity. A credit default event may be triggered by bankruptcy, failure to pay or restructuring of the Referenced Entity. If a credit default event occurs, the swap may be settled by either the physical delivery of the bond for

proceeds equal to par value, or a cash payment equal to the loss amount. Credit default swaps are valued daily based on dealer-supplied valuations.

Changes in value of swap agreements are recorded as unrealized appreciation (depreciation). Premiums paid or received from swap agreements are included in investment income. When swap agreements expire or are closed out, gains or losses are included in net realized gain or loss on sale of swap agreements.

Financial Instruments

The Trust's financial instruments include investments (long and short), derivatives, receivables for accrued interest and dividends, and for investments sold, payables for investments purchased and performance fees, interest and dividends payable, due to broker, and other accrued expenses. Investments (long and short) and derivatives are classified as held for trading and carried at fair value. Receivables for accrued interest and dividends and for investments sold are designated as loans and receivables and reported at amortized cost. Payables for investments purchased and performance fees, interest and dividends payable, due to broker, and other accrued expenses are designated as financial liabilities and reported at amortized cost.

Return of Capital

Distributions received as return of capital ("ROC") from investments reduce the adjusted cost base ("ACB") of the underlying investments. Distributions received from investments are allocated initially as dividends, interest, capital gains, or return of capital ("ROC") based on estimates of the categorization of distributions received from the underlying issuers. These allocations may change once the final categorization of the distributions is received on an annual basis from the underlying issuers.

3. Net Assets Per Unit

The Trust is required to calculate the net assets per unit for the purposes of the financial statements in accordance with Canadian generally accepted accounting principles (GAAP). The valuation principles and practices established by the Manager for the purpose of subscriptions and redemptions differ from Canadian GAAP primarily with respect to fair valuation of securities. Under Canadian GAAP, financial instruments that are quoted in active markets shall be measured based on the bid price for long positions and the ask price for short positions while under the Manager's valuation principles such securities shall be valued using close prices for listed securities and the average of the bid and ask prices for those securities traded through recognized investment dealers. As a result, the net assets per unit presented in the financial statements (the "Net Assets per Unit") may differ from the net asset value per unit for the purpose of redemption and purchase of units of the Trust (the "Net Asset Value per Unit"). A comparison between the net asset value per unit calculated for subscriptions and redemptions and the net assets per unit calculated for financial reporting is required to be disclosed in the financial statements.

	As at June 30, 2011	As at December 31, 2010
Net Asset Value per Unit	\$13.19	\$12.68
Net Assets per Unit	\$13.13	\$12.63

4. Foreign Forward Currency Contracts

The following foreign forward currency contracts were outstanding as at June 30, 2011 and December 31, 2010:

As at June 30, 2011

Settlement Date	Currency Buys	Notional Value	Currency Sells	Notional Value	Forward Rate	Current Rate	Unrealized Gain (Loss)
7/22/2011	CAD	278,707,851	USD	283,675,000	1.018	1.037	\$ 5,039,562 ⁽¹⁾
7/22/2011	CAD	13,797,014	USD	14,000,000	1.015	1.037	\$ 290,868 ⁽²⁾
7/22/2011	CAD	9,911,700	USD	10,000,000	1.009	1.037	\$ 264,453 ⁽¹⁾
7/22/2011	USD	28,912,258	CAD	28,379,000	0.982	0.965	\$ (486,630) ⁽²⁾
							<u><u>\$ 5,108,253</u></u>

Counterparties: Bank of New York Mellon Corp. (The) ⁽¹⁾ and Royal Bank of Canada ⁽²⁾

Credit Rating for Counterparties ^(*) A1+

^(*) Standard and Poor's short term rating.

As at December 31, 2010

Settlement Date	Currency Buys	Notional Value	Currency Sells	Notional Value	Forward Rate	Current Rate	Unrealized Gain (Loss)
1/26/2011	CAD	338,292,545	USD	332,605,000	0.983	1.005	\$ 7,336,934 ⁽¹⁾
1/26/2011	USD	11,726,000	CAD	11,731,042	0.999	1.005	\$ (63,192) ⁽²⁾
							<u><u>\$ 7,273,742</u></u>

Counterparties: Bank of New York Mellon Corp. (The) ⁽¹⁾ and Royal Bank of Canada ⁽²⁾

Credit Rating for Counterparties ^(*) A1+

^(*) Standard and Poor's short term rating.

5. Credit Default Swaps

The following credit default swap was outstanding as at June 30, 2011 and December 31, 2010:

As at June 30, 2011

Credit Default Swap Contracts	Underlying Security Credit Rating ^(*)	Notional Amount	Expiry Date	Fair Value
Pay 5.00% quarterly times the notional amount. Receive payment only upon a default event of Markit CDX NA HY S15 Index	B	36,920,000	06/20/16	<u><u>(\$600,783)</u></u>

Counterparty: JP Morgan Securities Inc.

Credit Rating for Counterparty ^(*) A1

^(*) Standard and Poor's short term rating.

As at December 31, 2010

Credit Default Swap Contracts	Underlying Security Credit Rating (*)	Notional Amount	Expiry Date	Fair Value
Pay 5.00% quarterly times the notional amount. Receive payment only upon a default event of Markit CDX NA HY S15 Index	B	10,470,000	12/20/2015	<u>(\$305,896)</u> <u>(\$305,896)</u>

Counterparty: JP Morgan Securities Inc.

Credit Rating for Counterparty^(*) A1

^(*) Standard and Poor's short term rating.

6. Leverage

The Trust may utilize various forms of borrowing, including a loan facility and margin purchases, up to 35% of the net asset value of the Trust at the time of borrowing. Accordingly, the maximum amount of leverage that the Trust could employ is 1.35:1.

In addition, the net exposure of the Trust should 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 net asset value of the Trust.

The 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 the Trust to invest in additional portfolio investments.

During the six-month period ended June 30, 2011, the minimum and maximum amounts of borrowings of the Trust were approximately nil and \$0.5 million (year ended December 31, 2010 – nil and \$67.7), respectively.

7. Unitholder's Capital

Pursuant to the declaration of trust, the Trust is authorized to issue an unlimited number of a single class of transferable redeemable units of beneficial interest, each of which represents a pro rata interest in the Trust. 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 Trust and distributions upon the termination of the Trust. The sole unitholder of the trust is the Bank of Nova Scotia (the "Unitholder").

Redemption of Units

Units may be redeemed at any time for a redemption price per unit equal to the net asset value per unit as at the date units are surrendered for redemption (the "Redemption Date") by a Unitholder of the Trust. Units surrendered for redemption on any Redemption Date will be redeemed as at such Redemption Date and the Unitholder will receive payment in respect of any units surrendered for redemption on or before the redemption payment date.

The issued and outstanding units as at June 30, 2011 and 2010 consist of:

	June 30, 2011	June 30, 2010
Units outstanding - beginning of period	32,935,876	21,231,650
Issued for consideration	-	-
Reinvestment of distribution	-	-
Redemption	(1,352,807)	(891,650)
Reduced by consolidation	-	-
Units outstanding - end of period	31,583,069	20,340,000

8. Fees and Expenses

The Trust retained Marret Asset Management Inc., under an administration agreement dated May 28, 2009 to administer all of the ongoing operations of the Trust. In consideration for the services provided by the Manager, the Trust pays a management fee. The management fee is computed daily and payable monthly in arrears at the annual rate of 0.75%, plus applicable taxes, of the net asset value of the Trust. The total management fees earned by Marret Asset Management Inc. for the six-month period ended June 30, 2011 were \$1,773,966 (June 30, 2010 – \$939,309) of which \$290,861 (December 31, 2010 - \$297,166) remained payable.

The Manager will also receive, for each fiscal year of the Trust, a performance fee (the “Performance Fee”). The Performance Fee is calculated and accrued on a monthly basis and paid annually. The amount of the Performance Fee for a given year will be an amount for each unit of the Trust then outstanding equal to 15% of the amount by which the sum of (i) the net asset value of such unit (calculated without taking into account the Performance Fee), and (ii) the distributions paid on such unit during the previous 12 months or since the last performance fee was paid, exceeds 106.35% of the Threshold Amount.

The Threshold Amount is the greater of (i) the net asset value per unit of the Trust on the Determination Date for the previous fiscal year (after payment of such Performance Fee); and (ii) the net asset value per unit of the Trust on the determination date in the fiscal year in which a Performance Fee was last paid (after payment of such Performance Fee).

The performance fee accrued as at June 30, 2011 is nil (December 31, 2010 - \$4,651,418).

All other reasonable expenses in connection with the administration of the Trust are paid by the Trust. The Trust is also responsible for the costs of portfolio transactions and any extraordinary expenses that may be incurred from time to time. No trustee fees were charged during the period (2010 – nil).

9. Income Taxes

The Trust qualifies as a unit trust and a financial institution for purposes of the mark-to-market rules contained in the Income Tax Act (Canada). The Trust is subject to tax on its net investment income, including any net realized and unrealized gain on its mark-to-market property, which is not paid or payable to its Unitholder. The financial statements of the Trust do not include a provision for income taxes because under the terms of the declaration of trust, net investment income is distributed each year to its Unitholder.

Where the Trust realizes income for tax purposes which is in excess of any distributions paid or made payable to the Unitholder during the year, the declaration of trust provides that an additional distribution will be automatically payable in each year to the Unitholder on December 31. The additional distribution will be automatically reinvested in additional units of the Trust on December 31, following which the outstanding units of the Trust will be automatically consolidated on a basis such that the number of consolidated units is equal to the number of units outstanding immediately preceding the additional distribution. The amount of the additional distribution as at December 31, 2010 was \$41,474,385.

10. Capital Management

The Trust's capital consists of the Unitholder's equity. The Manager is responsible for managing the Trust's Portfolio in line with its mandate and the affairs of the Trust, including the receipt of revenues and the payment of distributions to the Unitholder.

In accordance with its investment strategies and risk management policies, the Trust endeavours to invest the subscriptions received and borrowings in appropriate investments while maintaining sufficient liquidity to meet redemptions and the repayment of borrowings. Capital movements are shown in the statements of changes in net assets.

11. Capital Commitment

The Trust entered into an agreement on December 20, 2010 with an investee company to provide a facility and a conditional facility which the investee could draw. As at December 31, 2010, under this facility, the Trust had an unfunded capital commitment of \$923,288 and an unfunded conditional capital commitment of \$1,451,712. During the first six months of 2011, the \$923,288 capital commitment and \$901,712 of the conditional capital commitment were funded. The remaining conditional commitment expired and the Trust has no capital commitment under this agreement as at June 30, 2011.

12. Financial Instrument Risk Management

In the normal course of business, the Trust 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 Trust's overall risk management program focuses on compliance with and execution of the Trust's investment objectives.

The Manager seeks to minimize potential adverse effects of these risks on the Trust's performance by employing professional, experienced portfolio advisers, daily monitoring of the Trust'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 Trust's investment activities and monitors compliance with the Trust'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.

The value of the investments can fluctuate on a daily basis as a result of factors outside of the Trust's control, including financial performance of the issuers of the underlying investments, 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 investments and other financial market conditions.

If the prices for the equity investments had increased or decreased by 5% as at June 30, 2011 (December 31, 2010 – 5%), with all other variables remaining constant, net assets of the Trust would have increased or decreased by approximately \$131,647 or 0.03% (December 31, 2010 - \$1,699,047 or 0.41%). 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.

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

	June 30, 2011			December 31, 2010		
	Long	Short	Net	Long	Short	Net
< 1 year	17,736,160	-	17,736,160	4,259,586	-	4,259,586
1 - 3 years	40,498,878	-	40,498,878	41,598,799	-	41,598,799
3- 5 years	56,823,285	-	56,823,285	96,231,495	-	96,231,495
> 5 years	298,316,319	(65,817,402)	232,498,917	210,807,732	(21,849,553)	188,958,179
Total	413,374,642	(65,817,402)	347,557,240	352,897,612	(21,849,553)	331,048,059

If interest rates had increased or decreased by 1% at June 30, 2011 (December 31, 2010 – 1%), with all other variables remaining constant, net assets would have decreased or increased by approximately \$12,271,977 or 2.96% (December 31, 2010 - \$16,128,538 or 3.88%). 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 Trust's functional currency.

The table below indicates the currencies to which the Trust had significant net exposure as at June 30, 2011 and December 31, 2010, on its monetary and non-monetary assets and liabilities as well as the underlying notional amount of foreign forward currency contracts.

As at June 30, 2011

	Currency risk Investments	Working Capital	Currency risk Due to/from broker	Forward Currency Contract	Net Exposure	As a % of Net Assets
U.S. Dollar	257,529,181	3,498,856	7,701,139	(268,929,312)	(200,136)	(0.05%)

As at December 31, 2010

	Currency risk Investments	Working Capital	Currency risk Due to/from broker	Forward Currency Contract	Net Exposure	As a % of Net Assets
U.S. Dollar	282,421,214	17,277,836	21,100,446	(319,287,761)	1,511,735	0.36%

As at June 30, 2010, had the Canadian dollar strengthened or weakened by 5% (December 31, 2010 – 5%) in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$10,007 or 0.00% (December 31, 2010 - \$75,587 or 0.02%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

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 Trust. The main concentration of credit risk would be where the Trust invests in debt instruments and derivatives. The Trust maintains all of its cash and cash equivalents at its custodian or in bankers' acceptances or term deposits with financial institutions having a minimum debt rating of A.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is made only when the Trust has received payment. Payment is made on purchases once the securities have been received by the Trust. Should either party not meet its obligation, the trade will fail.

As at June 30, 2011 and December 31, 2010, the Trust invested in debt securities with the following credit ratings:

Debt securities by debt ratings	As a % of Net Assets					
	June 30, 2011			December 31, 2010		
	Long	Short	Net	Long	Short	Net
AAA	11.74	(15.87)	(4.13)	1.46	(5.25)	(3.79)
AA	7.17	-	7.17	4.66	-	4.66
A	3.75	-	3.75	3.80	-	3.80
BBB	2.54	-	2.54	2.13	-	2.13
Below BB	62.43	-	62.43	56.19	-	56.19
Unrated	12.04	-	12.04	16.58	-	16.58
Total	99.67	(15.87)	83.80	84.82	(5.25)	79.57

As at June 30, 2011 and December 31, 2010 the Trust invested in short-term investments with the following debt ratings:

Debt securities by debt ratings	As a % of Net Assets	
	June 30, 2011	December 31, 2010
R - 1(H)	8.44	1.20
Total	8.44	1.20

As at June 30, 2011 and December 31, 2010 the Trust invested in derivatives with the following counterparty ratings:

Counterparty Ratings	As a % of Net Assets	
	June 30, 2011	December 31, 2010
A1+	1.23	1.75
A1	(0.14)	(0.07)
Total	1.09	1.68

Liquidity Risk

The Trust is exposed to cash redemptions and repayment of borrowings. The Trust 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 investments will exist at all times, or that the prices at which the investments trade, accurately reflect their fair value. Low trading volumes of the investments will make it difficult to liquidate holdings quickly. All liabilities are due in less than 3 months, except for credit default swaps which have expiry dates as disclosed on Note 5.

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 may 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 with inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- 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 in valuing the Trust's investments and derivatives carried at fair values:

As at June 30, 2011

	Level 1		Level 2		Level 3		Total
Bonds	\$	-	\$	369,935,448	\$	7,022,280	\$ 376,957,728
Term Loans		-		23,541,914		12,875,000	36,416,914
Short-Term Investments		-		34,991,911		-	34,991,911
Equities		32,514,318		-		702,552	33,216,870
Forward currency contracts		-		5,594,883		-	5,594,883
Total Financial Assets		32,514,318		434,064,156		20,599,832	487,178,306
Bonds		-		(65,817,402)		-	(65,817,402)
Equities		(30,583,931)		-		-	(30,583,931)
Swaps		-		(600,784)		-	(600,784)
Forward currency contracts		-		(486,630)		-	(486,630)
Total Financial Liabilities		(30,583,931)		(66,904,816)		-	(97,488,747)
Total Investments	\$	1,930,387	\$	367,159,340	\$	20,599,832	\$ 389,689,559

As at December 31, 2010

	Level 1		Level 2		Level 3		Total
Bonds	\$	-	\$	291,682,443	\$	21,089,026	\$ 312,771,469
Term Loans		-		29,076,143		11,050,000	40,126,143
Short-Term Investments		-		4,999,569		-	4,999,569
Equities		39,903,453		-		4,938,262	44,841,715
Forward currency contracts		-		7,336,934		-	7,336,934
Total Financial Assets		39,903,453		333,095,089		37,077,288	410,075,830
Bonds		-		(21,849,553)		-	(21,849,553)
Equities		(10,858,745)		-		-	(10,858,745)
Swaps		-		(305,896)		-	(305,896)
Forward currency contracts		-		(63,192)		-	(63,192)
Total Financial Liabilities		(10,858,745)		(22,218,641)		-	(33,077,386)
Total Investments	\$	29,044,708	\$	310,876,448	\$	37,077,288	\$ 376,998,444

During the periods ended June 30, 2011 and December 31, 2010, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

For the period ended June 30, 2011

	Balance, beginning of period	Purchases	Sales	Net transfers	Realized gains / (losses)	Change in unrealized appreciation / (depreciation) ⁽¹⁾	Balance, end of period
Bonds	21,089,026	687,139	(16,401,563)	-	1,492,502	155,176	7,022,280
Term Loans	11,050,000	1,825,000	-	-	-	-	12,875,000
Equities	4,938,262	43,841	(3,313,688)	(1,988,285)	3,313,688	(2,291,266)	702,552
Total	37,077,288	2,555,980	(19,715,251)	(1,988,285)	4,806,190	(2,136,090)	20,599,832

⁽¹⁾ Total change in unrealized appreciation/(depreciation) related to investments was (\$4,567,365) for the six-month period ended June 30, 2011

For the year ended December 31, 2010

	Balance, beginning of period	Purchases	Sales	Net transfers	Realized gains / (losses)	Change in unrealized appreciation / (depreciation) ⁽¹⁾	Balance, end of period
Bonds	-	19,106,137	(3,273,622)	5,378,106	19,186	(140,781)	21,089,026
Term Loans	-	12,975,000	(1,925,000)	-	-	-	11,050,000
Equities	3,245,834	-	-	(1,203,245)	(45,668)	2,941,341	4,938,262
Total	3,245,834	32,081,137	(5,198,622)	4,174,861	(26,482)	2,800,560	37,077,288

⁽¹⁾ Total change in unrealized appreciation/(depreciation) related to investments was \$1,551,647 for the year ended December 31, 2010

Level 3 equity securities consist of warrants. These level 3 warrants are priced using valuation models based on input data obtained from brokers familiar with the issuer and assessed for reasonability by the Manager. Pricing of level 3 bonds and term loans can be based on cost, where it is a recent issue and/or there is no evidence to support appreciation or depreciation, or based on more recent transaction data, if available. The Manager validates this information based on its knowledge of the issuer and would make adjustments where it felt it was appropriate to do so, using an appropriate valuation methodology.

As at June 30, 2011, the potential impact of using reasonable possible alternative assumptions for valuing Level 3 financial instruments would increase their fair value by up to \$953,724 (December 31, 2010 - \$1,874,324), or decrease their fair value by up to \$951,400 (December 31, 2010 - \$1,870,252).

There were no transfers of financial assets and liabilities from Level 1 to Level 2 during the periods ended June 30, 2011 and December 31, 2010.

13. Transition to International Financial Reporting Standards

In January 2011, the Canadian Accounting Standards Board ("AcSB") announced that it will provide a deferral to International Financial Reporting Standards ("IFRS") for investment companies until January 1, 2013. The Trust will adopt IFRS by the deadline provided by the AcSB or by such earlier time as may be

required by the Canadian Securities Administrators. Under the original general transition rules for publicly accountable enterprises the Trust would adopt IFRS for its fiscal period beginning January 1, 2011.

The Trust has developed a plan to meet the timetable published by Canadian Institute of Chartered Accountants for changeover to IFRS. Key elements of the plan include the determination of the qualitative impact and the quantitative impact, if any, on the Trust's financial statements in accordance with IFRS. Based on the current evaluation of the differences between Canadian GAAP and IFRS, the adoption of IFRS is expected to have no impact on the calculation of net assets or net asset value. IFRS is expected to affect the overall presentation of financial statements and result in additional disclosure in the accompanying notes. However, the Manager's assessment may change if new standards are issued or if the interpretations of current standards are revised.