Marret HYS Trust

2010 Interim Management Report of Fund Performance

August 27, 2010

This interim management report of fund performance for Marret HYS Trust (the "Fund") contains financial highlights but does not contain the complete interim financial statements of the Fund. This report should be read in conjunction with the interim financial statements of the Fund for the six months ended June 30, 2010.

You may obtain a copy of the interim 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 an investment fund managed by Marret Asset Management Inc. (the "Manager"). The Fund was created to hold a portfolio (the "Portfolio") focused on debt securities that are generally rated at or below BB+ by Standard & Poor's, Ba1 or lower by Moody's Investor Services, Inc., or a similar rating from a qualified rating agency. The Fund commenced operations on June 17, 2009 and issued units to The Bank of Nova Scotia (the "Counterparty"). Concurrently, the Counterparty entered into a forward purchase and sale agreement with Marret High Yield Strategies Fund ("MHYSF") under which the Counterparty has agreed to pay MHYSF on May 30, 2014 the economic return provided by the Portfolio. The Portfolio is managed by the Manager.

Investment Objective and Strategies

The Fund's investment objectives are to maximize total returns for holders of units of the Fund, consisting of both distributions and capital appreciation, while reducing risk, by holding 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.

Risks

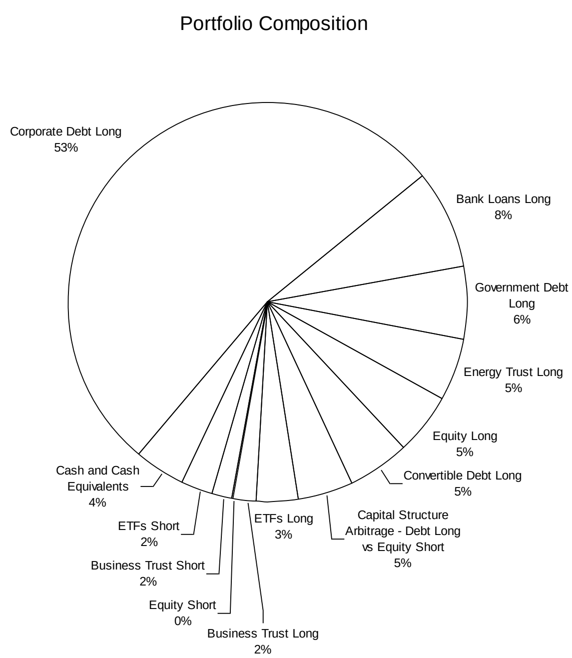
Risks associated with an investment in the units of the Fund are discussed in the Fund's prospectus dated May 28, 2009 (the "Prospectus"), which is available on the Fund's website at www.marret.ca or on SEDAR at www.sedar.com. While there has been no change in the Fund's stated investment strategy, the changes to the Fund in 2010 that have materially affected the risks associated with an investment in the units of the Fund are set out below.

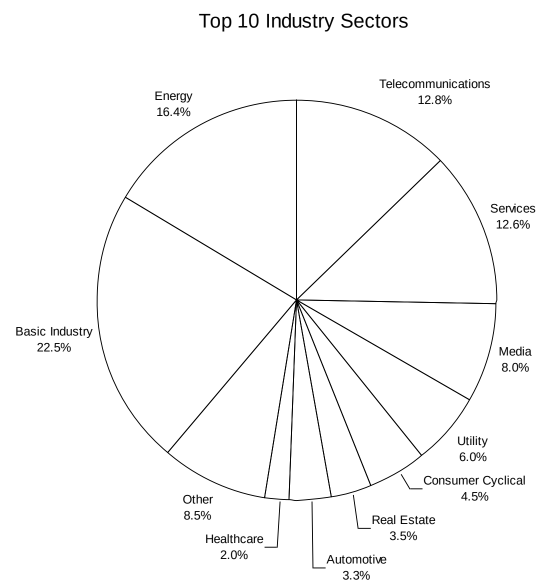
Leverage
As indicated in the Fund's prospectus, the net exposure of the Fund will not exceed 135%, on a daily marked-to-market basis, with net exposure calculated as the value of long security positions minus the absolute value of short positions, excluding cash and cash equivalents, divided by the Net Asset Value of the Fund. At June 30, 2010, the Fund's net exposure was 95.4% of the Net Asset Value of the Fund. 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 for financial reporting purposes, 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 June 30, 2010, the Fund held a total of 100 securities and the majority of the Fund was invested in high yield debt. Other notable asset classes in which the Fund is invested include bank loans, convertible debt, and government debt, among other asset classes. The breakdown of the Portfolio is shown in the accompanying pie chart, and a detailed listing of the Fund's security holdings is provided in the financial statements. As of June 30, 2010, the Portfolio had an average duration of 4.51 years and a yield to maturity of 7.73%.





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

Distributions
During the six months ended June 30, 2010, the Fund made no cash distributions. During the year ended December 31, 2009, the Fund paid cash distributions of $0.32 and total distributions of $1.47 per unit.

Liquidity and Capital Resources

The Fund 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 Fund to invest in additional portfolio investments. As at June 30, 2010, on a settlement date basis, the Fund had borrowings of $3.68 million under this facility, representing 1.55% of Net Assets of the Fund. During the six months ended June 30, 2010, the minimum and maximum amounts of borrowings of the Fund were nil and $65.56 million, respectively.

Recent Developments

Ontario Sales Tax and GST Harmonization

Effective July 1, 2010, Ontario and British Columbia provincial sales tax were harmonized with the federal goods and service tax (GST), resulting in a federally administered tax ("HST"). Management fees and other service fees charged to the Fund were previously not subject to Retail Sales Tax (PST). Under the new place of supply rules, these services are subject to provincial sales tax. The HST is expected to have a significant impact as investment funds will not be entitled to recover this additional cost since funds are not currently able to recover the 5% GST.

International Financial Reporting Standards

International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which include investment funds and other reporting issuers. Under the general transition rules for publicly accountable enterprises the Fund would adopt IFRS for its fiscal period beginning January 1, 2011.

The Fund 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 Fund'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.

In June 2010, the Canadian Accounting Standards Board published for comment an Exposure Draft proposing that investment companies, which include investment funds, can defer adoption of IFRS by one year. If the amendments proposed by the Exposure Draft are adopted, investment companies may continue to apply existing GAAP standards until fiscal years beginning on or after January 1, 2012.

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 0.75% per annum of the net asset value of the Fund (or 1.00% in total when combined with the management fee received from MHYSF), calculated and payable monthly in arrears, plus applicable taxes. For the six months ended June 30, 2010, the management fee earned was $939,309 ($1,251,385 in total when combined with the management fee earned from MHYSF).

The Manager may also receive a performance fee from the Fund (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 the Fund 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 the Fund 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 the Fund immediately following June 17, 2009, which was $10.00, (ii) the net asset value per unit of the Fund on December 31 for the previous fiscal year (after payment of the Performance Fee), and (iii) the net asset value per unit of the Fund on December 31 in the last fiscal year in which a Performance Fee was paid (after payment of the Performance Fee). The Performance Fee accrued to the Manager for the six months ended June 30, 2010 was $55,291. The Performance Fee paid for the period June 17, 2009 to 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 you understand the Fund's financial performance for the past year. This information is derived from the Fund's audited annual and unaudited interim 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 6 months ended June 30, 2010	For the year ended Dec 31, 2009 (2)
Net Assets, beginning of period	$ 10.96	$ 10.00
Increase (decrease) from operations:		
Total revenue	0.56	0.39
Total expenses	(0.09)	(0.18)
Realized gains (losses) for the period	0.59	0.36
Unrealized gains (losses) for the period	(0.33)	0.73
Total increase (decrease) from operations (3)	$ 0.73	$ 1.30
Distributions:		
From income	-	1.47
Total Distributions (4)	$ -	$ 1.47
Net Assets, end of period	$ 11.67	$ 10.96

(1) This information is derived from the Fund's audited annual and unaudited interim 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/reinvested in additional units of the Fund.

Ratios and Supplemental Data (based on Net Asset Value)

	June 30, 2010	Dec 31, 2009 [1]
Total Net Asset Value	$ 238,497,640	$ 233,797,907
Number of Units Outstanding	20,340,000	21,231,650
Management Expense Ratio ("MER") [2]	1.49%	2.43%
MER excluding Performance Fees	1.46%	1.19%
Trading Expense Ratio [3]	0.04%	0.05%
Portfolio Turnover Rate [4]	78.42%	40.01%
Net Asset Value per Unit	$ 11.73	$ 11.01

(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 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.

Expense Ratio

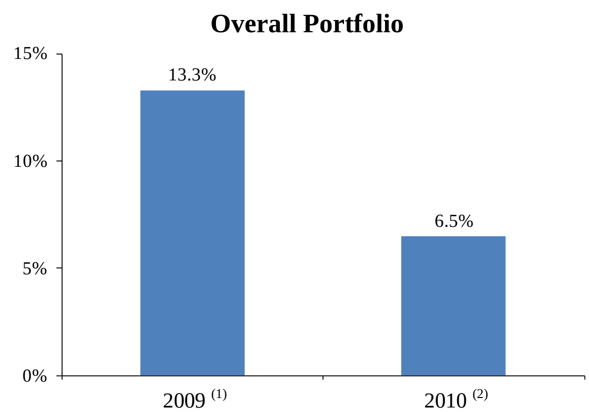
The MER of the Fund for the six months ended June 30, 2010 is 1.49%.

Past Performance

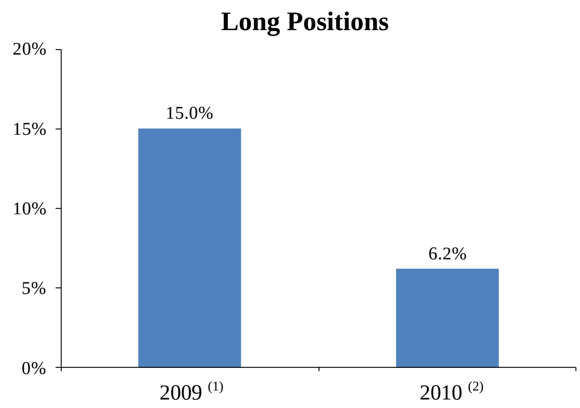
The following charts and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on Net Asset Value per unit and assumes that distributions made by the Fund in the periods shown were reinvested (at Net Asset Value per unit) in additional units of the Fund.

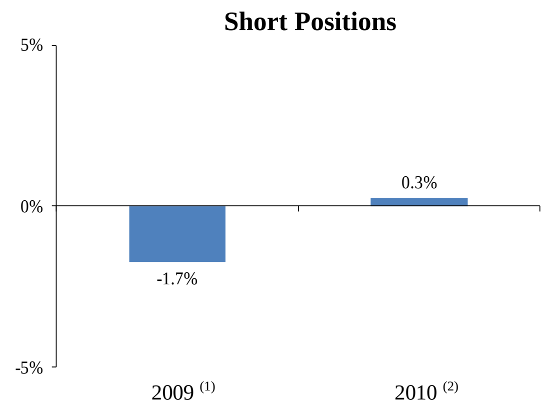
Year-by-Year Returns

The bar charts show the Fund's total return for the overall Portfolio, long Portfolio positions and short Portfolio positions for the periods since inception to June 30, 2010. The charts show, in percentage terms, how an investment held on the first day of each period would have changed by the last day of the period.



(1) Period from June 17, 2009 (Fund inception) to December 31, 2009.
(2) Period from January 1, 2010 to June 30, 2010.





(1) Period from June 17, 2009 (Fund inception) to December 31, 2009.
(2) Period from January 1, 2010 to June 30, 2010.

Annual Compound Returns

The following table shows the Fund's compound return for each period indicated, compared with the Merrill Lynch U.S. High Yield Master II Index hedged to CAD ("High Yield Index"), the S&P/TSX Composite Total Return Index ("TSX") and the S&P 500 Total Return Index hedged to CAD ("S&P 500"). The High Yield Index is a broad-based index that tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The TSX tracks the performance of approximately 300 large-cap stocks listed on the TSX and the S&P 500 tracks 500 large-cap U.S. stocks representing all major industries. The High Yield Index, TSX and S&P 500 are calculated without the deduction of fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

	6 months ended June 30, 2010	**Since Inception (1)**
Marret HYS Trust - Overall (2)	6.5%	19.8%
Long positions	*6.2%*	*21.2%*
Short positions (3)	*0.3%*	*-1.4%*
Merrill Lynch U.S. High Yield Master II Index (4)	4.5%	24.5%
S&P/TSX Composite Total Return Index	-2.5%	12.3%
S&P 500 Total Return Index (4)	-5.2%	7.7%

(1) Period from June 17, 2009 (Fund inception) to June 30, 2010.
(2) Based on Net Asset Value per unit and assuming that distributions made by the Fund on its units in the periods shown were reinvested (at Net Asset Value per unit) in additional units of the Fund.
(3) Annual compound return for short positions does not include foreign currency hedging gains/losses.
(4) Hedged to the Canadian dollar.

The Fund provided a return of 6.5% over the six month period ending June 30, 2010, outperforming the High Yield Index for the same period by 2.0%.

Summary of Investment Portfolio

As at June 30, 2010

Portfolio Composition

Category	Percentage of Net Asset Value
Corporate Debt Long	58.0%
Bank Loans Long	8.8%
Government Debt Long	6.3%
Energy Trust Long	5.7%
Equity Long	5.5%
Convertible Debt Long	5.2%
Capital Structure Arbitrage - Debt Long vs Equity Short	5.1%
ETFs Long	3.5%
Business Trust Long	2.0%
Equity Short	-0.1%
Business Trust Short	-1.9%
ETFs Short	-2.7%
Cash and Cash Equivalents	4.6%

Top 25 Holdings [1] (excluding cash & cash equivalents)

Security Name	Percentage of Net Asset Value
Long Positions	
US Treasury N/B 4.375% 15May2040	6.3%
Consolidated Thompson Iron 8.5% 27Jan2017	3.6%
Xinergy Corp 9.75% 27Apr2015	3.2%
Texas Comp Elec Hold LLC Term Loan 10Oct2014	2.9%
Canadian Oil Sands Trust	2.8%
Canadian Satellite Radio 12.75% 15Feb2014	2.4%
iShares S&P/TSX Global Gold	2.4%
Teck Resources Limited 10.25% 15May2016	2.3%
New Gold Inc 5% 28Jun2014	2.3%
Data & AV Ent Holdings 15% 25Sep2018	2.3%
Ford Motor Credit 7.8% 01Jun2012	2.0%
MGM Resorts Intl 6.75% 01Sep2012	1.9%
Wynn Las Vegas 6.625% 01Dec2014	1.8%
NRG Energy Inc 8.5% 15Jun2019	1.8%
Chester Downs & Marina Term Loan 31Jul2016	1.8%
Qwest Communications 8% 01Oct2015	1.7%
MGM Resorts Intl 13% 15Nov2013	1.7%
New Gold Inc 10% 28Jun2017	1.7%
Wind Acquisition 11.75% 15Jul2017	1.7%
Cogeco Cable Inc	1.7%
Equal Energy Trust 8% 31Dec2011	1.6%
Clearwire Corp 12% 01Dec2015	1.5%
Level 3 Financing 10% 01Feb2018	1.5%
Short Positions	
RioCan Real Estate Invst Tr	-1.9%
iShares S&P/TSX Capped Energy	-1.7%
Total Portfolio Longs	100.9%
Total Portfolio Shorts	-5.5%

(1) The top 25 holdings of the Fund have been presented in accordance with NI 81-106.Values are calculated on a trade date basis.

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of Q1 and Q3 end.

Portfolio Manager

Marret Asset Management Inc.

Marret Asset Management is a credit fixed income manager. The firm advises on over $4.5 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

High yield markets were essentially flat in Q2 with positive months in April and June offsetting a volatile negative month in May. In Q2, the Merrill Lynch U.S. High Yield Master II Index, hedged to CAD, declined 0.19% (YTD +4.52%). High Yield's breakeven return contrasted with sharply negative equity returns as the S&P 500, hedged to CAD, lost 7.37% in Q2, and the TSX was down 5.51%. The impetus for the selloff came from two major factors: European sovereign debt worries triggered by a potential default in Greece, and a slowdown in the economic data coming from the U.S. and China. Given the severity of market volatility in May and the subsequent weakening of economic data in the U.S. and China, we have moved to a more neutral stance from our Q1 short term bullish outlook.

Looking back over the past year, credit continued to perform well. High yield credit spreads began the period near 1100bps and have since narrowed 400bps. Yields have fallen from over 13% to approximately 8%. This has resulted in continued strong performance for high yield both on an absolute basis and relative to other asset classes.

The Fund significantly reduced cash balances since the beginning of the period, despite a negative long term view. This was due to a positive short term view that stimulus programs and capital flows would likely provide a positive short term backdrop both with respect to fundamental improvement in the economy as well as a strong technical backdrop for high yield as investors continue to increase their appetite towards risk. The Fund, however, has continued to favour investments in quality companies with strong balance sheets and in securities with strong capital structure positioning. The Fund has also focused on debt with equity warrants of companies in the resource sector, while recognizing the value of selectively complimenting the portfolio with higher yielding total return investments where the risk/reward profile appears to be sufficiently compelling.

A prime focus of the Fund is to invest in securities that are highly liquid due to our negative long term view as well as our expectation of continued heightened volatility. The credit crisis, which had first originated due to the build up of massive leverage on consumer and bank balance sheets has begun to shift to a sovereign debt problem as government intervention policies, which were needed to avoid a deep global downturn, create larger and larger borrowing requirements. Dubai's debt problems that first surfaced early in 2010 were quickly forgotten as concern shifted to Greece and other European countries. We see Greece as a small and very early warning sign of what could happen in the U.S. and U.K..

Looking forward, while we were concerned about rising U.S. Treasury yields in Q1, the worry has shifted to weaker growth and deflation. The 10 year yield has moved from 4.00% to 2.50%. The flattening of the yield curve lowers mortgage rates in the U.S. which is a small positive for the housing sector. We now believe that 10 year U.S. Treasury rates could move to 2.00% or lower based on a period of weaker data and global capital flows. This does not imply we are expecting a double dip recession in 2010, however.

In this environment, high yield should earn its coupon and perhaps some small capital gains. The market currently yields approximately 8% and spreads finished the quarter around 700 bps. The high yield default rate has collapsed in 2010 and is currently running at an annualized rate of approximately 1%. Recovery rates are also well above historical norms as refinancing opportunities have been plentiful. Given the increased volatility, we have built a relatively neutral portfolio of high quality, higher liquidity names. We are now less bullish than we were in Q1 but believe that high yield at 8% when defaults are 1% is a relatively attractive place to be, especially relative to equity markets. The yield cushion reduces risk and allows for upside should the economic data improve and volatility decline.

Our longer term view remains negative as we do not see an easy way out of the world's sovereign debt issues. The consensus view is that governments will try to reflate their way out and repay the debt in devalued dollars. We see this as a nice economic theory but practically may be impossible to execute in a deleveraging world. One thing that seems probable to us is that market volatility will likely continue to rise and the potential for a significant decline in equities is increasing. In this scenario, hedging and yield cushions will be important risk mitigators.

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
PricewaterhouseCoopers LLP

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