



Marret Investment Grade Bond Fund
2011 Interim Management Report of Fund Performance
August 18, 2011

This interim management report of fund performance for Marret Investment Grade Bond Fund (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, 2011.

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., 200 King Street West, Suite 1902, Toronto, Ontario, M5H 3T4, or by visiting our website at www.marret.com 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 MIG.UN. Through a forward agreement (the “Forward Agreement”) between the Fund and the Bank of Nova Scotia (the “Counterparty”), the Fund is exposed to a portfolio of securities (the “Portfolio”) held by Marret IGB Trust. The Portfolio is comprised of debt securities that are generally rated at or above BBB- from Standard & Poor’s, or Baa3 or higher from Moody’s Investor Services, Inc., or a similar rating from a qualified rating agency (collectively, “Investment Grade Bonds”). The Counterparty has agreed to pay the Fund on October 31, 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 provide holders of units of the Fund with attractive monthly tax advantaged cash distributions, targeted to be 5% per year on the original issue price of \$12 per unit of the Fund, and (ii) to maximize total returns for holders of units of the Fund, consisting primarily of tax-advantaged distributions, while reducing risk and preserving capital, by obtaining exposure to the Portfolio, which is focused on Investment Grade Bonds. The principal investment strategy is to build a Portfolio composed primarily of select high quality, favourably valued, investment grade bonds that reflect the following fundamental tenets: (a) capital preservation, (b) focus on high quality credit investments, (c) liquidity and (d) full currency hedging.

The return to investors of the Fund is dependent on the return of the Marret IGB 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 IGB Trust, where applicable.

Risks

Risks associated with an investment in the units of the Fund are discussed in the Fund's prospectus dated September 29, 2009 (the "Prospectus"), which is available on the Fund's website at www.marret.com or on SEDAR at www.sedar.com. There has been no change in the Fund's stated investment strategy, and no changes to the Fund in the first six months of 2011 that have materially affected the risks associated with an investment in the units of the Fund.

Leverage

Through the Forward Agreement, the Fund is exposed to leverage of Marret IGB Trust. Leverage did not cause a material change in the risk associated with an investment in units of the Fund. An increase in leverage may cause an investment in units to become more risky should any event adversely affect the value of an investment held by the Funds as the impact would be magnified to the extent leverage is employed. The leverage of the Fund during the period was below the threshold as stated in the prospectus (other than for a temporary period, with immaterial impact) and did not result in a change in suitability of the investment from what was previously disclosed in the prospectus.

As indicated in the Fund's prospectus, the net exposure of Marret IGB Trust will not exceed 125%, 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 IGB Trust. At June 30, 2011, the Portfolio's net exposure was 116.1% of the net asset value of Marret IGB Trust.

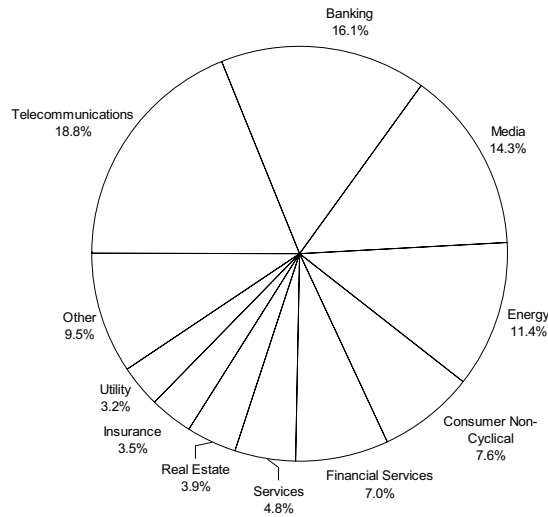
Figures presented in this management report of fund performance are generally based on the Fund's calculation of its weekly net asset value ("Net Asset Value"), in accordance with the Fund's prospectus which may be calculated on a basis different from the application of Canadian Institute of Chartered Accountants ("CICA") Section 3855. In accordance with National Instrument ("NI") 81-106, certain figures are derived from the financial statements' calculation of net assets ("Net Assets") and are noted as such.

Results of Operations

Investment Portfolio

As of June 30, 2011, Marret IGB Trust's portfolio included a total of 40 debt securities, which was comprised of 8 Government bonds and 32 corporate debentures. The Government bonds are spread hedges on specific corporate bonds or short positions to insulate the entire Portfolio from interest rate exposure. The corporate debt securities held by the Portfolio represent outright exposure to the North American corporate debt market as per the mandate of the Fund. Any U.S. dollar debt securities held in the Portfolio are fully hedged to Canadian dollars. The breakdown of the Portfolio by industry type is shown in the accompanying pie chart, and a detailed listing of the security holdings is provided in the financial statements. Consistent with its mandate, the Portfolio is concentrated yet diversified across industry sectors. As of June 30, 2011, the Portfolio had a yield to maturity of 5.95% and an average duration of 7.18 years.

Top 10 Industry Sectors



Calculated as a proportion of gross invested capital of Marret IGB Trust, excluding cash.

Distributions

During the six months ended June 30, 2011, the Fund made monthly cash distributions which totaled \$0.30 per unit.

Liquidity and Capital Resources

Through the Forward Agreement, the Fund's performance is affected by leverage in Marret IGB Trust. Marret IGB 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 IGB Trust to invest in additional portfolio investments. As at June 30, 2011, Marret IGB Trust had net borrowings of \$54.39 million under this facility, representing 17.35% of Net Assets of Marret IGB Trust. During the six months ended June 30, 2011, the minimum and maximum amounts of net borrowings of Marret IGB Trust were \$17.91 million and \$78.73 million, respectively.

Recent Developments

An already fragile economic growth backdrop deteriorated quickly in early July with: 1) a second consecutive month of weak employment data in the U.S. 2) a downward revision to both first and second quarter GDP numbers in the U.S. and 3) slower than expected industrial production figures across major manufacturing countries. This data raised fears of the possibility of a double dip recession. Consequently, this sent ten year yields on Government of Canada bonds to their lowest levels since the fall 2008 banking crisis. By the end of July, ten year Canadas were yielding 2.80% - the low end of our targeted range. Bond prices gained additional momentum in early August when stock markets, already nervous about economic growth, sold off aggressively when 1) S&P downgraded their "AAA" bond rating of the U.S. 2) debt problems in European peripheral countries spread to Italy and Spain and 3) the capital adequacy and credit exposure of French banks came under scrutiny. Ten year Government bond yields in Canada briefly touched 2.33% on this market turmoil.

The combination of the above noted risks to global growth pressured corporate credit spreads wider particularly in early August. The U.S. CDX index, which had comfortably traded in an 88-100 basis point range for most of the May-July period pushed out to 125 basis points. Cash corporate spreads were 10-30 basis points wider.

We believe that global growth uncertainty and European sovereign debt and bank capital adequacy issues will continue to result in above average market volatility. Accordingly, we look for both interest rate and credit markets to go through periods of erratic price action as they did during the past few weeks. Although we recognize the risks that poorly capitalized European banks and over-indebted European sovereign nations present to the global financial system, our first priority in structuring the portfolio is to focus on the economic fundamentals. The economic fundamentals have shown some deterioration over the past few months. However, data this week, including industrial production numbers in China and employment figures in the U.S. give us confidence that we are not heading for a double dip recession in 2011. In addition, policy responses from the Fed and ECB during the past few weeks should act to underpin investor sentiment; that's the good news. The bad news - or the news we believe both the markets and investors need to understand - is that we can expect to have a slow growth path for a prolonged period (2-3 years). This GDP growth path in North America is likely to be in the range of 1.5% to 2.5%. In other words, this is below trend. As we have said in the past, this is the consequence of the leverage induced recession from which we are emerging. Recoveries from recessions due to excessive leverage are more difficult and prolonged than normal interest rate/inflation based recessions. More importantly, when the leverage moves from the private sector to the public sector, as we now have with excessive sovereign debt in major industrialized countries, the growth path out of deleveraging cycles becomes even more challenged.

We expect the Bank of Canada to leave interest rates unchanged for the remainder of the year. Weaker growth and moderating domestic inflation should support this call. We expect ten year Canadian Government yields to remain in a 2.25%-2.75% range. In terms of corporate credit, corporate fundamentals remain strong as corporations deleveraged aggressively at the beginning of the cycle. Although we believe that the deleveraging trend is complete, we see little appetite for increasing leverage given that the economic outlook remains somewhat precarious. As a result, corporations prefer to maintain healthy cash balances, which is a positive. In addition, credit spreads are supported by low default rates, ample liquidity for refinancing and solid earnings on the back of strong efforts to control costs, improved productivity and little in the way of wage pressures. However, weak but not negative economic growth, along with excessive sovereign debt problems in many major industrialized countries, which inhibit the use of normal economic stabilization mechanisms, warrant caution and bias us to maintaining a neutral credit positioning. Accordingly, credits with positive free cash flow generation, access to liquidity and strong balance sheets will dominate our credit selection.

Related Party Transactions

Related party transactions consist of services provided by the Manager to the Fund. Pursuant to the management agreement, the Manager receives a management fee from the Fund equal to 0.125% per annum of the Net Asset Value of the Fund (or 0.50% in total when combined with the management fee received from Marret IGB Trust), calculated and payable monthly in arrears, plus applicable taxes. The management fee is in consideration for providing management, portfolio management, and administrative services and facilities to the Fund. For the six months ended June 30, 2011, the management fee, inclusive of applicable taxes, earned was \$215,620 (\$879,840 when combined with the management fee earned from Marret IGB Trust).

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 past periods. 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⁾

	Six months ended June 30, 2011	Year ended Dec 31, 2010	Year ended Dec 31, 2009 ⁽²⁾
Net Assets, beginning of period	\$ 12.04	\$ 11.56	\$ 12.00
Initial issue expense	\$ -	\$ -	\$ (0.44)
Net Assets, beginning of period (net of issue expense)	\$ 12.04	\$ 11.56	\$ 11.56
Increase / (decrease) from operations:			
Total revenue	\$ -	\$ -	\$ -
Total expenses	\$ (0.03)	\$ (0.05)	\$ (0.01)
Realized gains / (losses) for the period	\$ 0.04	\$ 0.06	\$ -
Unrealized gains / (losses) for the period	\$ 0.25	\$ 1.07	\$ 0.13
Total increase / (decrease) from operations ⁽³⁾	\$ 0.26	\$ 1.08	\$ 0.12
Distributions:			
From income	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -
Return of capital	\$ 0.30	\$ 0.60	\$ 0.11
Total Distributions ⁽⁴⁾	\$ 0.30	\$ 0.60	\$ 0.11
Net Assets, end of period	\$ 12.00	\$ 12.04	\$ 11.56

⁽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. The Net Assets per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities on that date and includes the valuation of securities at bid prices for securities held long and at ask prices for securities held short divided by the number of units then outstanding.

⁽²⁾ Information presented is for the period from October 23, 2009 (Fund inception) 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 period.

⁽⁴⁾ Distributions to unitholders are based on the number of units outstanding on the record date for each distribution and were paid in cash.

Ratios and Supplemental Data (based on Net Asset Value)

	Six months ended June 30, 2011	Year ended Dec 31, 2010	Year ended Dec 31, 2009 ⁽¹⁾
Total Net Asset Value	\$ 313,287,316	\$ 314,317,559	\$ 325,381,384
Number of Units Outstanding	26,107,324	26,107,324	28,150,000
Management Expense Ratio ("MER") ⁽²⁾	1.54%	1.32%	4.68%
Trading Expense Ratio ⁽³⁾	0.00%	0.00%	0.00%
Portfolio Turnover Rate ⁽⁴⁾	0.00%	0.00%	0.56%
Net Asset Value per Unit	\$ 12.00	\$ 12.04	\$ 11.56
Closing Market Price	\$ 12.30	\$ 12.05	\$ 12.27

⁽¹⁾ Information presented is for the period from October 23, 2009 (Fund inception) 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 IGB 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. The Management Expense Ratio excluding Issue Expenses for the period ended December 31, 2009 was 0.97%.

⁽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.

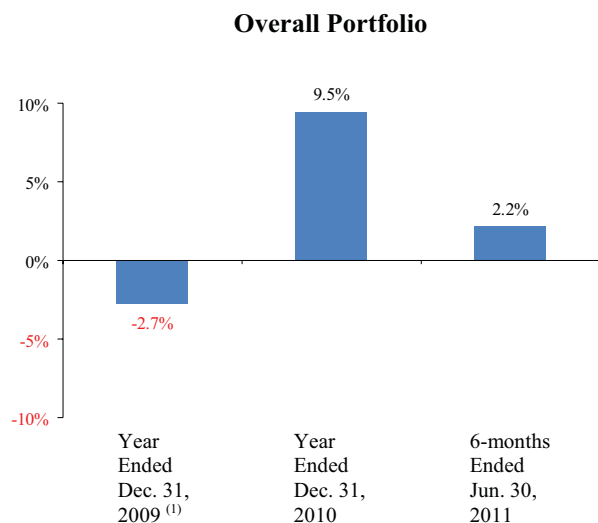
⁽⁴⁾ The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year. 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 IGB Trust for the period ended June 30, 2011 was 247.49% (2010 – 451.37%; 2009 - 40.2%).

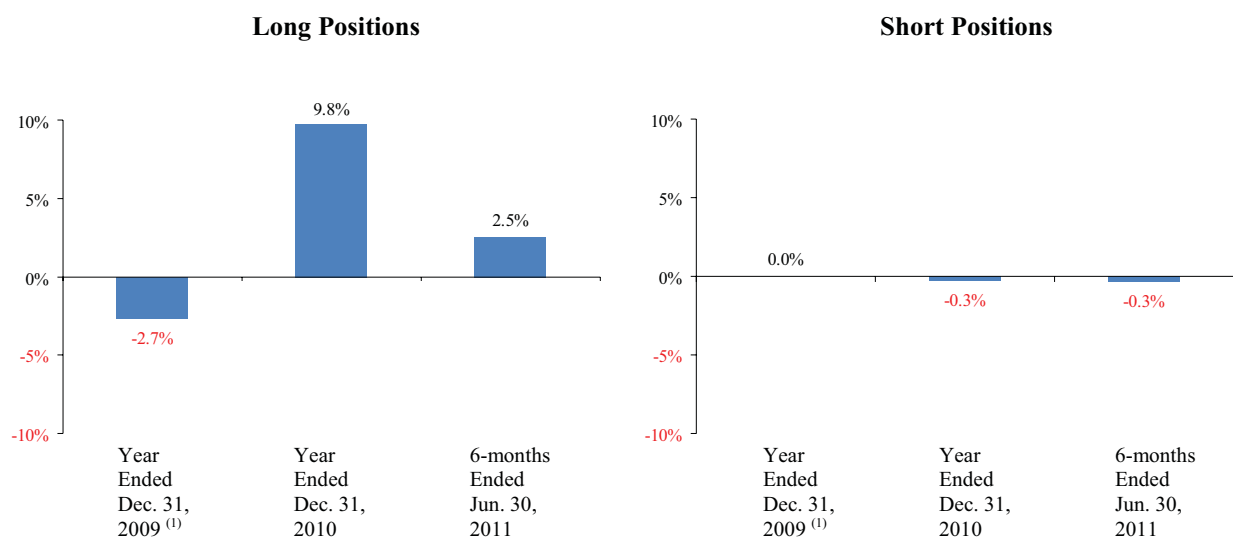
Past Performance

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 cash 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 fiscal periods from inception to June 30, 2011. 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 October 23, 2009 (Fund inception) to December 31, 2009.

Compound Returns

The following table shows the Fund's compound return for each period indicated, compared with the DEX Mid-Term Corporate Bond Index ("Investment Grade Index") and the BofA Merrill Lynch Canada Corporate Index ("Merrill Corporate Index"). The Investment Grade Index comprises semi-annual pay fixed rate bonds denominated in Canadian dollars, with remaining terms greater than 5 years and less than 10 years, rated BBB or higher, issued by Canadian Federal, Provincial or Territorial corporations. The Merrill Corporate Index tracks the performance of CAD denominated investment grade corporate debt publicly issued in the Canadian domestic market, with remaining terms of at least one year, a fixed coupon schedule and a minimum amount outstanding of CAD \$100 million. The Investment Grade Index and Merrill Corporate Index are calculated without the deduction of fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

	Six months ended	
	June 30, 2011	Since Inception ⁽¹⁾
Marret Investment Grade Bond Fund ⁽²⁾	2.2%	5.1%
<i>Long positions</i>	2.5%	5.7%
<i>Short positions</i> ⁽³⁾	-0.3%	-0.6%
DEX Mid-Term Corporate Bond Index	3.3%	7.5%
BofA Merrill Lynch Canada Corporate Index	2.6%	6.5%

⁽¹⁾ Period from October 23, 2009 (Fund inception) to June 30, 2011.

⁽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⁾ Compound return for short positions does not include foreign currency hedging gains/losses.

Summary of Investment Portfolio

As at June 30, 2011

Portfolio Composition ⁽¹⁾		Top 25 Holdings ⁽²⁾	
Category	Percentage of Net Asset Value	Security Name	Percentage of Net Asset Value
High Grade Corporate Debt Long	129.0%	Long Positions	
U.S. Treasury Bonds Short	-12.4%	Goldman Sachs Group Inc 5.2% 19Apr2022	8.7%
Cash and Cash Equivalents	-17.2%	Yellow Media Inc 5.71% 21April2014	6.4%
Other assets (liabilities)	0.6%	Bell Canada 6.1% 16Mar2035	6.3%
Total Net Asset Value (in \$ millions)	313.3	Viterra Inc 5.95% 01Aug2020 144A	6.2%
		Lloyds TSB Bank PLC 5.28% 19Apr2016	5.8%
		Shaw Communications Inc 5.65% 01Oct2019	5.6%
		Suncor Energy Inc 5.39% 26Mar2037	5.5%
		First Cap Realty Inc 5.85% 31Jan2017	5.4%
		Thomson Reuters Corp 6.5% 15Jul2018	5.4%
		IGM Financial Inc 6% 10Dec2040	5.3%
		Bell Aliant Regional Com 5.52% 26Feb2019	4.9%
		First National Financial 5.07% 07May2015	4.9%
		Co-operators Financial S 5.778% 10Mar2020	4.9%
		Rogers Communications In 6.56% 22Mar2041	4.8%
		Power Corporation Canada 7.57% 22Apr2019	4.6%
		Consumers Waterheater 5.25% 15Mar2013	4.6%
		Inter Pipeline Corridor 4.897% 03Feb2020	4.2%
		Husky Energy Inc 5% 12Mar2020	3.7%
		Canadian Pacific RR Co 6.45% 17Nov2039	3.5%
		American Express Canada 4.853% 03Oct2014	3.4%
		Groupe Aeroplan Inc 9% 23Apr2012	3.3%
		Cogeco Cable Inc 5.95% 09Jun2014	3.3%
		Sydney Airport Finance 4.602% 27Jul2018	3.2%
		Short Positions	
		Cash and Cash Equivalents	-17.2%
		US Treasury N/B 4.375% 15May2041	-7.7%
		Total Portfolio Longs	128.5%
		Total Portfolio Shorts	-12.4%

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

(2) The top 25 holdings of Marret IGB Trust, as a percentage of the Net Asset Value of Marret IGB 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.

The prospectus and other information about Marret IGB Trust are available on the internet at www.sedar.com and at www.marret.com.

2011 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 2011 on a per unit basis.

Record Date	Payment Date	Return of Capital	Total Distribution
31-Jan-11	14-Feb-11	\$0.05	\$0.05
28-Feb-11	14-Mar-11	\$0.05	\$0.05
31-Mar-11	14-Apr-11	\$0.05	\$0.05
29-Apr-11	13-May-11	\$0.05	\$0.05
31-May-11	14-Jun-11	\$0.05	\$0.05
30-Jun-11	15-Jul-11	\$0.05	\$0.05
Total		\$0.30	\$0.30

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 approximately \$6 billion in high yield and investment grade corporate debt assets for institutional and retail clients. Marret is registered as a Portfolio Manager, Investment Fund 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

Following almost two years of global growth supported by government stimulus and accommodative monetary policy, markets entered 2011 with expectations that a self-sustaining economic recovery would firmly take hold. As a consequence, most economic forecasters expected interest rates to begin to move higher and risk assets to maintain their upward trajectory. Despite geopolitical tensions in the Middle East and North Africa, this is exactly how the first several months of the year played out. Supported by firm manufacturing data globally, improving employment figures in the developed economies and stability in consumer confidence and spending, Government bond yields steadily climbed higher. In Canada specifically, exceptionally robust growth in employment along with concerns expressed by the Bank of Canada regarding rising household debt levels reinforced expectations of tightening monetary policy. Ten year Government of Canada yields, which began the year at 3.23%, moved slightly through our targeted range (3.30%-3.60%) to 3.64% by mid February. Corporate credit spreads, encouraged by strong earnings and the improving macro-economic backdrop, responded by tightening during this period; the U.S. investment grade corporate credit default index (CDX) improved by ten basis points.

The global growth outlook changed abruptly in March. A devastating earthquake in Japan followed by a dramatic nuclear power plant accident, resulted in a stock market selloff, a reversal in credit spreads and a flight to quality rally in interest rates. The growth shock from Japan was further complicated by high oil prices and weather-related problems in the U.S. mid-west. In response to growth concerns, in mid April the Bank of Canada issued a relatively dovish policy statement. This, along with a weak CPI number, which followed a few days later, resulted in a strong rally in Government bonds. This rally was extended by sovereign debt concerns in Europe. Ten year Government of Canada yields briefly touched 2.85% before closing mid-year at 3.10%.

In the second quarter of 2011, corporate credit spreads were very volatile, buffeted by slowing economic growth prospects, Japan related equity market nervousness and spreading sovereign debt concerns in Europe. Heavy new issue supply in the corporate market also impacted credit spreads adversely. Cash corporate bond spreads ended the period wider with U.S. financials and Canadian telecom and cable names being the weakest sectors.

The Fund is structured with multiple tools to protect capital, reduce volatility and enhance return. Short positions in Government bonds are used to hedge against rising interest rates, long and short positions in credit indices allow the fund to hedge or gain exposure to credit spreads and modest leverage can be utilized to take advantage of short term trading opportunities. Each of these tools is employed periodically as an overlay to reflect our macroeconomic outlook and the duration management, curve positioning and credit selection bias of the core portfolio.

In the first quarter of 2011 the portfolio outperformed the DEX Mid Corporate and the Merrill Lynch Canadian 5-10 Year Corporate Index by 29 and 32 basis points respectively. Our short interest rate hedges, in a rising interest rate environment, were largely responsible for this outperformance. These interest rate hedges were a main contributor of our underperformance by mid-year given the aggressive rally in rates during periods of March and May. Our overweight positioning in Canadian telecom and cable credits also negatively impacted performance in the second quarter as credit spreads in these names widened appreciably in March on new issue supply. Year-to-date, the Fund return was 2.17%. This was approximately 100 basis points less than the year-to-date return of our benchmark indices.

Looking forward to the second half of the year, we remain concerned that the current soft patch is not merely a one quarter phenomenon. As we have noted in the past, deleveraging cycles are different. This will not be a normal recovery and it is likely to contain periods of turbulence within the longer term economic cycle. In this context we expect above average volatility as we have already witnessed this year.

This current slowdown in growth not only has implications for interest rates, as we have clearly witnessed over May and June, it also has profound implications for credit. A tepid economic growth environment coupled with the completion of the corporate deleveraging cycle and increased sovereign debt problems is likely to provide headwinds to the two year rally in credit spreads. To be clear, we are not negative on credit or credit spreads. We still believe that credit spreads will end the year tighter than they are today. However, we are beginning to think that these next two quarters could look more like the second phase of the credit cycle rather than the first. The second phase of the credit cycle is characterized by relatively stable credit spreads, while alpha is generated by relative value and security selection rather than outright spread compression. This does not mean we do not like credit. What it does mean is that generating return (both beta and alpha) needs to be based on different dynamics whereby portfolio construction, sector allocation and credit selection are more critical than outright market exposure. This is what we will be focusing on in the coming quarter.

In terms of interest rates, we have adjusted our target band for ten year Government of Canada yields to 2.80%-3.20%. We have also lowered our interest rate call due to the current trend in weakening economic data globally. Moreover, we are concerned that global growth in the second half of 2011 will be below consensus estimates, given rising interest rates to counter inflation in developing economies and the inability of developed nations to further stimulate economic expansion.

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, Chief Compliance
Officer, Director

Paul Sandhu
Vice President, Director

David Gluskin
Vice President, Director

Marcus Spain, CA
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

Equity Transfer & Trust
Company

Custodian

CIBC Mellon Trust Company

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