



Marret IGB Trust
2009 Annual Management Report of Fund Performance
March 31, 2010

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

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

The Fund

The Fund is an investment fund managed by Marret Asset Management Inc. (the “Manager”). The Fund was created to hold a portfolio focused on 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 “Portfolio”). The Fund commenced operations on October 23, 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 Investment Grade Bond Fund (“MIGBF”) under which the Counterparty has agreed to pay MIGBF on October 31, 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 while reducing risk and preserving capital, by holding the Portfolio, which is focused primarily on Investment Grade Bonds. The specific strategy employed by the Manager from time to time in managing the Portfolio will depend on the phase of the credit cycle. The 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.

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

Leverage

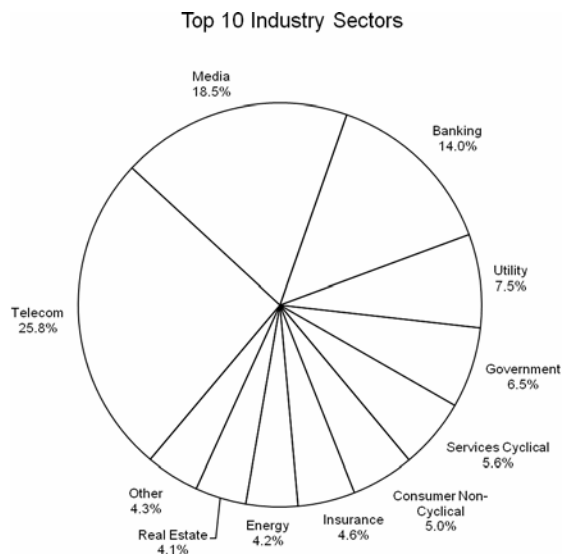
As indicated in the Fund's prospectus, the net exposure of the Fund will not exceed 125%, on a daily marked-to-market basis, with net exposure calculated as the value of long security positions, excluding cash and cash equivalents, minus the absolute value of short positions, divided by the Net Asset Value of the Fund. At December 31, 2009, the Fund's net exposure was 118.17% 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, except for the figures presented in the net assets per unit table, which can be found under Financial Highlights. In accordance with National Instrument ("NI") 81-106, the figures in this table must be derived from the financial statements ("Net Assets").

Results of Operations

Investment Portfolio

As of December 31, 2009, the Fund included a total of 32 debt securities, which was comprised of 3 Government of Canada bonds and 29 corporate debentures. The Government of Canada 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. All but one of the corporate debt securities held by the Fund was denominated in Canadian dollars. The U.S. dollar debt security held in the Portfolio is 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. It was positioned at year end to be overweight the telecom, cable, media and energy industries. There are 25 individual issuers represented across the 29 corporate debt securities held in the Portfolio. As of December 31, 2009, the Portfolio had a yield to maturity of 6.06% and the unlevered Portfolio, which excludes cash, had an average duration of 7.20 years.



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

Distributions

During the year ended December 31, 2009, the Fund made cash distributions in the amount of \$0.07 and total distributions of \$0.14 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 December 31, 2009, the Fund had net borrowings of \$64.49 million under this facility, representing 19.81% of Net Assets of the Fund. During the year ended December 31, 2009, the minimum and maximum amounts of net borrowings of the Fund were nil and \$70.56 million, respectively.

The net cash borrowings are affected by other non-cash items, which results in net leverage in the Fund of \$59.43 million or 18.17% of Net Asset Value of the Fund.

Recent Developments

Following a modest pullback in mid-January, credit spreads have continued to rally in 2010. Credit markets were buoyed by signs of continued global economic recovery, and a significant inflow of cash into corporate bonds funds. This rally was once again most pronounced in higher beta credits which the Fund is overweight. However, at its March interest rate policy meeting, the Bank of Canada noted that both inflation and economic activity in Canada were running higher than expected. In addition the Bank pointed out that domestic spending was vigorous and exports were recovering. This prompted a sell-off in government bonds as the market began to price in an increasing likelihood of a rise in the bank rate in the second half of 2010. These developments have resulted in a repositioning of the curve exposure of the portfolio in order to protect against curve flattening. As well, the Fund has employed some tactical hedging against a rise in government bond yields.

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 0.375% per annum of the Net Asset Value of the Fund (or 0.50% in total when combined with the management fee received from MIGBF), calculated and payable monthly in arrears, plus applicable taxes. For the period between the inception of the Fund on October 23, 2009 and December 31, 2009, the management fee earned/payable was \$246,176 (\$328,113 in total when combined with the management fee received from MIGBF).

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 period since its inception on October 23, 2009 to December 31, 2009. This information is derived from the Fund's audited annual financial statements. The information in the following tables is presented in accordance with NI 81-106 and, as a result, does not act as a continuity of opening and closing Net Assets per unit. The increase (decrease) in Net Assets from operations is based on average units outstanding during the period, and all other numbers are based on actual units outstanding at the relevant point in time.

The Fund's Net Assets per Unit ⁽¹⁾

For the period ended December 31	2009 ⁽²⁾
Net Assets, beginning of period	\$ 12.00
Increase (decrease) from operations:	
Total revenue	0.13
Total expenses	(0.01)
Realized gains (losses) for the period	0.03
Unrealized gains (losses) for the period	(0.07)
Total increase (decrease) from operations ⁽³⁾	\$ 0.08
Distributions:	
From income	0.14
Total Distributions ⁽⁴⁾	\$ 0.14
Net Assets, end of period	\$ 12.01

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

⁽²⁾ Information presented is for the period from October 23, 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)

As at December 31	2009 ⁽¹⁾
Total Net Asset Value	\$ 327,079,094
Number of Units Outstanding	27,101,368
Management Expense Ratio ⁽²⁾	0.51%
Trading Expense Ratio ⁽³⁾	0.00%
Portfolio Turnover Rate ⁽⁴⁾	40.20%
Net Asset Value per Unit	\$ 12.07

⁽¹⁾ Information presented is for the period from October 23, 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 period ended December 31, 2009 is 0.51%.

Summary of Investment Portfolio

As at December 31, 2009

Portfolio Composition

Category	Percentage of Net Asset Value
Investment Grade Bonds Long	112.1%
Canadian Government and Guaranteed Bonds Long	6.9%
Canadian Government and Guaranteed Bonds Short	-0.9%
Cash and Cash Equivalents	-18.2%

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

Security Name	Percentage of Net Asset Value
Goldman Sachs Group Inc. 5.20% 19 Apr 2022	8.8%
YPG Holdings 5.71% 21 Apr 2014	6.5%
Bell Canada 6.1% 16 Mar 2035	5.7%
Manulife Financial Corp 7.768% 8 Apr 2019	5.5%
Shaw Communications Inc. 5.65% 01 Oct 2019	5.2%
Greater Toronto Airport Authority 4.85% 01 Jun 2017	5.2%
Rogers Communications Inc 5.80% 26 May 2016	4.9%
First Cap Realty 5.95% 01 Jun 2015	4.9%
Rogers Communications Inc. 6.68% 04 Nov 2039	4.7%
Transalta Corp. 6.4% 18 Nov 2019	4.7%
American Express Canada 4.853% 03 Oct 2014	4.7%
Bell Alliant Regional Com 5.52% 02 Feb 2019	4.6%
Telus Corp. 5.05% 04 Dec 2019	4.5%
Hydro One Inc. 6.03% 03 Mar 2039	4.3%
Power Corp. 7.57% 22 Apr 2019	4.2%
Loblaw Co. Ltd. 7.1% 01 Jun 2016	4.2%
Thomson Reuters 6% 31 Mar 2016	4.1%
Gov't of Canada 5.00% 01 Jun 2037	3.9%
Suncor Energy Inc. 5.39% 26 Mar 2037	3.8%
Thomson Reuters 6.50% 15 Jul 2018	3.6%
Aeroplan 9% 23 Apr 2012	3.3%
JP Morgan 5.45% 12 Nov 2014	3.3%
Cogeco Cable 5.95% 09 Jun 2014	3.1%
Gov't of Canada 1.25% 01 Dec 2011	3.0%
Shaw Communications Inc. 6.75% 09 Nov 2039	2.3%
Total Portfolio Longs	119.1%
Total Portfolio Shorts	-0.9%

⁽¹⁾ The top 25 holdings of the Fund 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.

Portfolio Manager

Marret Asset Management Inc.

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

Portfolio Manager's Report

Credit markets have undergone a substantial correction following the credit crisis in the fall of 2008 which culminated with the failure of Lehman Brothers. Throughout 2009, credit markets, assisted by 1) central bank monetary policy easing 2) global government stimulus programs and 3) programs designed to provide liquidity to the banking system and a variety of corporate funding mechanisms, have rallied. This rally in credit spreads continued into the fourth quarter of 2009 when the MIG was established.

Canadian corporate investment grade bond spreads peaked in November 2008 and subsequently rallied to recoup 60% of their spread widening by August 2009. With the rally in credit spreads well established by the fall of 2009, the Fund at its inception in October 2009, focused on sectors of the investment grade corporate market which were characterized by strong credit fundamentals and where credit spreads were still attractive on a historic basis. The Fund established overweight positions in energy, telcom, cable and media. These sectors had lagged the tightening in credit spreads relative to Canadian financials which represent approximately 60% on the Canadian corporate investment grade bond indices. At the end of the period, the Fund did not own any Canadian financial bonds as we judged them to be unattractive from a valuation perspective. Instead, the Fund's exposure to financials was established via Maple bonds, that is, corporate bonds issued in Canadian dollars by non-Canadian issuers. Bonds of non-Canadian financials, particularly those of well capitalized U.S. financial institutions, were trading at spreads 2-3 times greater than those of Canadian banks.

The Fund benefitted from its overweight positions in telecom, cable and energy as well as the exposure to U.S. financials as these higher beta credits outperformed into the end of 2009 as confidence in the global recovery and credit markets matured. However, a sell-off in government bonds late in December, due to a lack of liquidity being provided by financial institutions as the year end reporting period approached, resulted in a slight drag on portfolio performance in the final two weeks of the year.

The Manager is optimistic that the year end liquidity driven deterioration in government interest rates will correct itself early in the New Year. This, combined with our positive short term outlook on the global recovery and deleveraging of corporate balance sheets, will allow a continued tightening of corporate bond spreads. These factors will be positive for Fund capital appreciation and income generation in 2010.

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

Equity Transfer & Trust
Company

Custodian

CIBC Mellon Trust Company

Prime Broker

TD Securities Inc.

Auditors

PricewaterhouseCoopers LLP



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