Fiera Quantum Diversified Alpha Fund

FIERA QUANTUM

JUNE 2014

Strategy Description

Absolute return, multi-strategy approach, focused on dynamic capital allocation and risk management through diversified North American investments in equity, credit/fixed income, quantitative and short term strategies. The approach optimizes risk adjusted total return while limiting volatility and preserving capital.

Portfolio Manager

Fiera Quantum Limited Partnership

Fund Details

Class	A-I	F-I	F-II
Fund Codes	FQL104	FQL105	FQL106
Management Fee	2.00%	2.00%	1.00%
RSP Eligibility	Yes	Yes	Yes
Trailer Fee	1.00%	n/a	n/a
Assets under management[1]	$142.3 M		
Minimum Investment	$100,000		
Performance Fee	20%		
Hurdle Rate	No		
High Water Mark	Yes		
Trustee	Natcan Trust Company		
Custodian	One or more financial institutions and/or their affiliates in their role as prime broker		
Auditor	Deloitte & Touche LLP		
Liquidity	Monthly 60 day notice required		

[1] *Assets Under Management is the sum of all Classes of the Fund as at previous month-end*

Investment Highlights

- Diversified, multi-strategy approach focused on dynamic capital allocation and risk management
- Multiple asset classes with a North American focus
- Focus on absolute returns with limited monthly volatility
- Robust risk management through dynamic position limits and static stop losses

CAPITAL PRESERVATION > LOW VOLATILITY > ABSOLUTE RETURNS

Performance net of all fees (Class F-I) (%)

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Year/ YTD
2014	-0.88	1.67	0.66	0.34	1.70	1.51[2]							5.08[2]
2013	1.22	-0.45	-0.17	-1.15	-0.17	-1.88	1.43	-0.87	0.87	1.06	0.41	1.03	1.26
2012	1.98	0.77	0.78	-0.50	-0.89	0.10	1.60	-0.14	0.45	0.03	-0.32	0.27	4.16
2011	2.34	1.58	-0.89	-0.25	0.25	-0.96	0.45	-1.20	-2.13	-0.24	-0.74	-1.28	-3.09
2010	1.67	0.02	1.25	1.34	-1.04	-0.72	0.07	0.01	1.78	1.92	1.63	3.02	11.42
2009	2.92	0.93	4.06	8.50	6.95	0.30	1.37	2.50	2.30	1.08[3]	0.97	2.03	39.27
2008				0.97	3.21	1.74	1.36	0.99	-7.95	-13.16	-7.60	0.36	-19.56

1 Month	3 Months	6 Months	YTD	1 Year	2 Years[4]	3 Years[4]	5 Years[4]	Inception[5]
1.51	3.59	5.08	5.08	9.25	4.13	1.72	5.78	4.80

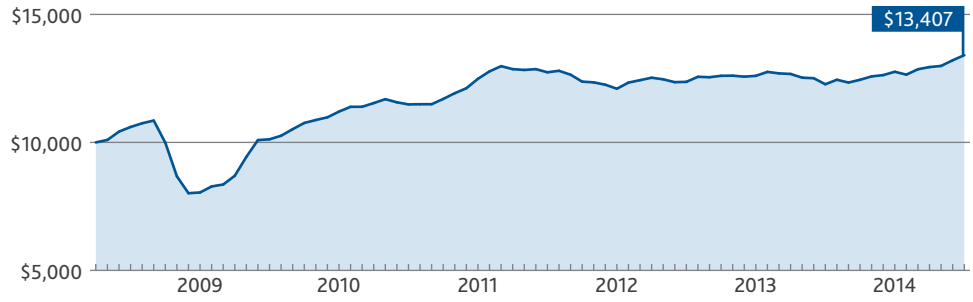
[2] *Performance figure for the month of June is preliminary and is subject to further confirmation by the portfolio manager.*

[3] *Commencing October 2009, Class A and Class F were changed to Class A-I and Class F-I in order to have the same management Fee of 2.00%. Prior to October 2009, the Class A had a management Fee of 2.75%.*

[4] *Returns for periods greater than one year are annualized.*

[5] *Prior to joining Fiera Quantum Limited Partnership on May 1, 2013, the current management team had been responsible for the management of the Fund at GMP Investment Management L.P. since December 1, 2008.*

Growth of $10,000[2] (Based on Class F-I)



Risk/Return Analysis[2] (Based on Class F-I)

Net annualized return since inception	4.80
Annualized standard deviation	9.29
Annualized Sharpe ratio (1.07%)	0.40
Best monthly return	8.50
Worst monthly return	-13.16
Percentage of months with positive performance	68.00
Average return when market is up[6]	1.09
Average return when market is down[6]	-1.51
Worst drawdown	-26.14

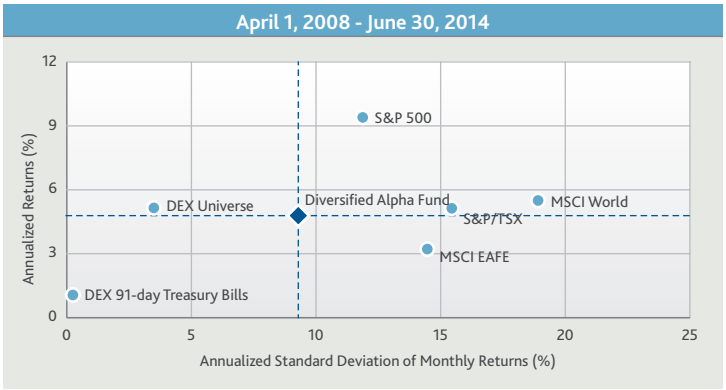
[6] *Market based on Fiera Quantum's blended benchmark: 40% S&P/TSX, 20% Merrill Lynch High Yield CAD, 20% Merrill Lynch US Master II, 20% S&P 500 USD.*

Fiera Quantum Diversified Alpha Fund

Diversification

		0 10 20 30 40 50 60 70 80 90 100
Equity	54.0%	
Macro/Quantitative	14.0%	
Credit/Fixed Income	32.0%	
Cash	0.0%	
Total	**100.0%**	

Stronger performance, lower relative volatility[2]



Fund Commentary

The Diversified Alpha Fund – Class F-I experienced positive returns in June, up 1.51% (preliminary), net of fees and expenses.

The first half of 2014 is now over and can be viewed as generally positive for financial markets. Volatility, for the most part, has also been low. Overall, nominal economic growth has been subdued and monetary stimulus through quantitative easing has been reduced but still remains a positive contributor to market performance. Even in June, a month with mixed economic signals and significant geopolitical unrest, North American equity markets continued their upward march. On the negative side, June also witnessed the announcement that first-quarter US GDP contracted at an annual rate of 2.9%. This was a much steeper decline than the previous estimate of 1%. The contraction marked the biggest quarterly drop since the first quarter of 2009, as well as the worst quarter that was not part of a recession since the end of World War II. As discussed in earlier commentaries, weather was a major factor. Much stronger performance can be expected for the rest of the year to make up for the past quarter. Global political instability was seen in Ukraine, Syria and Iraq. However, on the positive side, existing home sales data, the Purchasing Managers' Index (PMI) and US consumer confidence came in ahead of expectations.

Credit spreads on investment-grade corporate bonds, which measure the additional yield that investors demand as compensation for holding a bond with credit risk versus a similar-maturity Treasury security, narrowed to less than 100 basis points at the end of June. The last time investment-grade credit spreads were below 100 basis points was July 2007, shortly before the first signs of the credit crisis that triggered the global financial crisis.

In June, the Fund generated positive returns in all of our core strategies. Notable gains were generated in our equity portfolio, corporate bonds and in the quantitative tactical trading portfolio. Once again, it should be noted that the higher returns in June were the result of most of our strategies generating positive returns and not the result of increasing the risk in the portfolio.

As we head into the second half of 2014, we are mindful of some macro factors that could prove very problematic for the markets. The spectre of rising inflation, reduced quantitative easing and rising global risk premiums could quickly result in a re-pricing of risk assets. Most of our investor sentiment measures, including aggregate margin debt and the ratio of equity investing to cash, indicate that some degree of caution is warranted. However, these cautious signals are counterbalanced by the bullish indications provided by momentum and monetary policy measures. Therefore, we remain at the upper end of our equity allocation with a moderate amount of option protection.

1501 McGill College Avenue, Suite 800
Montréal (Québec) H3A 3M8
T: 514-954-3755 / 1-800-361-3499

1 Adelaide Street East, Suite 600
Toronto, Ontario M5C 2V9
T: 416-364-3711 / 1-800-994-9002

info@fieraquantum.com

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