Fiera Quantum Diversified Alpha Fund

FIERA QUANTUM

OCTOBER 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]	$133 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	1.52	0.89	0.55	0.10	0.29[2]			7.03[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]
0.29	0.94	5.15	7.03	8.57	4.08	3.42	4.66	4.85

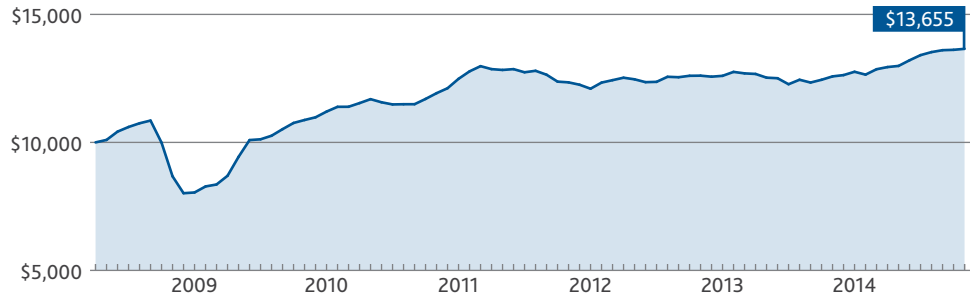
[2] *Performance figure for the month of October is preliminary and is subject to further confirmation by the portfolio manager.*

[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)



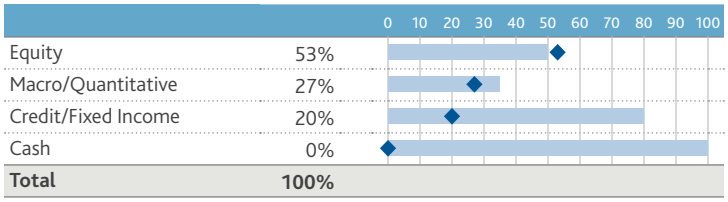
Risk/Return Analysis[2] (Based on Class F-I)

Net annualized return since inception	4.85
Annualized standard deviation	9.06
Annualized Sharpe ratio (1.06%)	0.42
Best monthly return	8.50
Worst monthly return	-13.16
Percentage of months with positive performance	69.62
Average return when market is up[6]	1.08
Average return when market is down[6]	-1.37
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.*

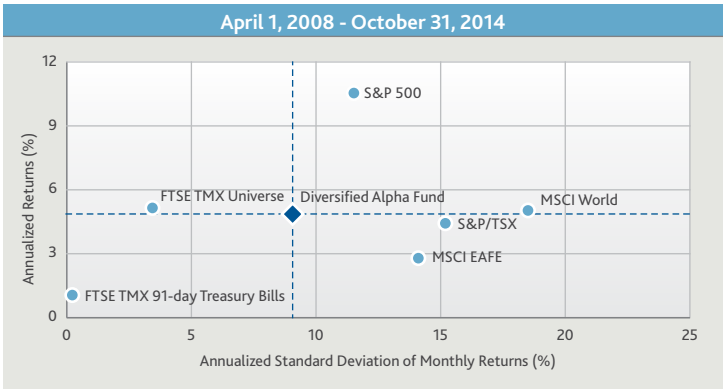
Fiera Quantum Diversified Alpha Fund

Diversification



		0 10 20 30 40 50 60 70 80 90 100
Equity	53%	
Macro/Quantitative	27%	
Credit/Fixed Income	20%	
Cash	0%	
Total	**100%**	

Stronger performance, lower relative volatility[2]



Fund Commentary

The Diversified Alpha Fund – Class F-I generated a small positive return in October, up 0.29%, net of fees and expenses.

October proved to be a wild ride across the markets. The month was split into two relatively equal parts with large negative moves in the first half across all risk asset classes. From mid-September to mid-October, the S&P 500 slid around 6% while volatility (VIX) soared 89% to the highest levels seen since November 2011. Through October 15, the market was in a sharp downdraft, the S&P 500 falling 5.5%. With hindsight as they typically do, market pundits were able to attribute the pullback to geopolitical fears, the spread of Ebola, concerns about the end of Quantitative Easing ("QE") in the United States and falling corporate earnings. However, on October 16, James Bullard of the St. Louis Fed suggested the possibility of prolonging QE; in response, stocks exploded higher. This was followed by an even sharper recovery in the second half of the month, as the S&P 500 rallied 8.4%. During bull markets, the average correction in the S&P 500 is a 14.2% decline and lasts 135 days. By that measure, the October pullback wasn't even a blip.

Due to the comments made by James Bullard, U.S. Treasuries experienced a rally around mid-month. This also produced an extremely volatile month for credit. The benchmark U.S. 10-year note experienced an intra-month range of 64 bps, just shy of the 67 bp range seen in June 2013 (the "Taper Tantrum").

Finally, on the very last day of October, the Bank of Japan surprised the markets by adding more stimulus, resulting in an extension of the equity rally. Although the U.S. markets rallied to record highs off of the Japanese announcement, the Canadian markets did not participate. For the month of October, the TSX 60 was down approximately 1.7%.

The story in Canadian markets in October was about the significant weakness in energy and materials. October was the month when oil officially dipped into bear market territory after a monthly decline of 12% in WTI and 10% in Brent. The strengthening of the U.S. dollar against the Canadian dollar and other world currencies did not help, although in reality the decline was also driven by concerns around aggregate global demand for oil.

The Fund was relatively conservatively positioned heading into October, with the majority of the risk in long/short and market neutral equity strategies as well as option strategies. The Fund was hurt by the rapid spike in the VIX. A trade that had generated much alpha throughout the year suffered a drawdown, which triggered a stop-loss under our risk management system. Strong performance in our equity strategies was the principal driver of the Fund's positive performance.

Months like October serve as a reminder of how quickly markets can turn. However, sustainable pullbacks require a liquidity crisis. As long as central banks are willing and able to continue to flood the market with liquidity, it will be difficult for North American markets to experience a "real" correction.

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

FIERA QUANTUM