

# Fiera Quantum Diversified Alpha Fund



DECEMBER 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 <sup>1</sup>	\$137 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		

<sup>1</sup> 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



## 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	0.27	1.65	-2.39 <sup>2</sup>	6.17 <sup>2</sup>
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 <sup>3</sup>	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 <sup>4</sup>	3 Years <sup>4</sup>	5 Years <sup>4</sup>	Inception <sup>5</sup>
-2.39	-0.51	1.03	6.17	6.17	3.69	3.84	3.87	4.60

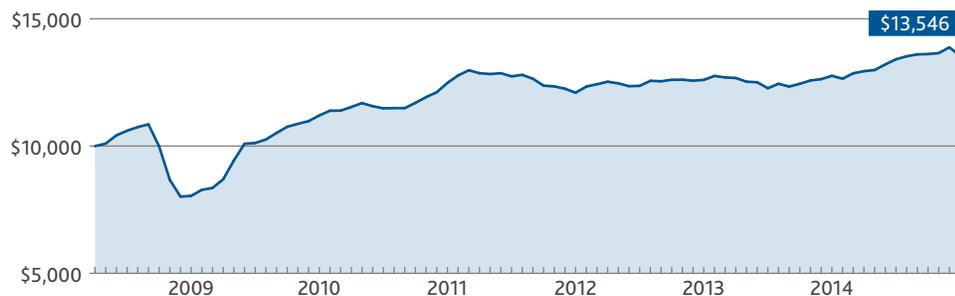
<sup>2</sup> Performance figure for the month of December is preliminary and is subject to further confirmation by the portfolio manager.

<sup>3</sup> 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%.

<sup>4</sup> Returns for periods greater than one year are annualized.

<sup>5</sup> 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<sup>2</sup> (Based on Class F-I)

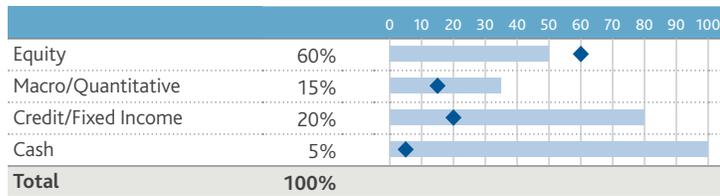


## Risk/Return Analysis<sup>2</sup> (Based on Class F-I)

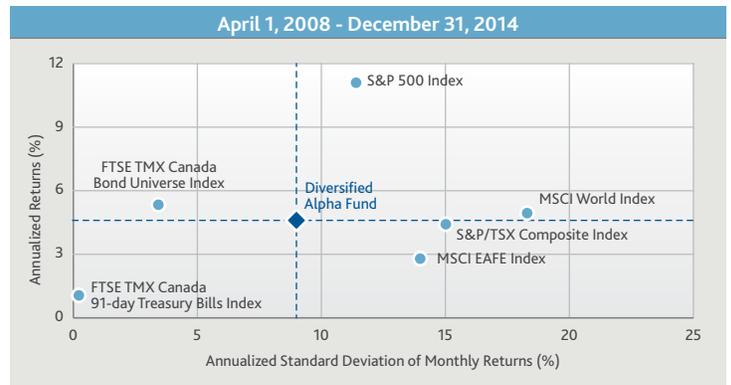
Net annualized return since inception	4.60
Annualized standard deviation	9.02
Annualized Sharpe ratio (1.06%)	0.39
Best monthly return	8.50
Worst monthly return	-13.16
Percentage of months with positive performance	69.14
Worst drawdown	-26.14

# Fiera Quantum Diversified Alpha Fund

## Diversification



## Stronger performance, lower relative volatility<sup>2</sup>



Source: Rimes

## Fund Commentary

The Diversified Alpha Fund – Class F-I generated a negative return in December, down 2.39%, net of fees and expenses. For 2014, the Fund finished up 6.17%, net of fees and expenses.

The story in the global financial markets in December was volatility as a result of the continued decline in oil prices, the expanded weakness in commodities and concerns with the health of the global economy outside of the U.S.

As far as market performance goes, 2014 will likely be remembered for a few things which include: the continued recovery of the U.S. economy; a strong U.S. dollar; the 'surprise' rally in U.S. Treasuries; and the sell-off in oil. Crude's biggest annual decline since 2008 weighed heavily on Canadian and U.S. energy producers (both equity and credit) as well as the Canadian dollar. The combination of an oversupplied physical market and stagnant demand weighed heavily on the price of oil. That being said, despite the weakness in energy stocks (which account for only 8.3% of the index), the S&P 500 Index still finished the year not far off its historical highs and enjoyed its longest streak of annual gains (6 years) since the 1990s. However, five stocks—Apple, Berkshire Hathaway, Johnson & Johnson, Microsoft, and Intel—accounted for 20% of the market's gains.

The spread widening in energy credits had a meaningful negative impact on High Yield which was a relative underperformer against Investment Grade. The latter clearly also benefited from what was also the best year for Treasuries since 2011.

As we reflect back on 2014, there were a number of surprises that few could have seen at the beginning of the year. Most investors believed that rates would rise last year. In fact, they fell dramatically. Most investors did not see the sharp correction in oil. On the other hand, few investors were surprised by the continued strength of the U.S. given the continuation of easy monetary policy.

In terms of the Fund, as expected the majority of our returns came from our Equity strategies. This is consistent with how we chose to allocate capital last year. The current environment of increasing volatility cost the Fund the bulk of the returns that had been earned earlier in the year in our Quantitative and Credit strategies.

As we enter 2015, situations to monitor include: energy, Europe, China and Japan. The current global macro situation is leading to increased market volatility. Therefore, from an asset allocation stand point, we will favour long/short strategies and strategies with less overall market exposure. We are increasing our allocation to defensive strategies. We also have increased our allocation to cash to 5%.

Over the long run, our continued focus on capital preservation and volatility management should keep investors in good shape while waiting for opportunities to take appropriate risk adjusted returns to present themselves. Patience is difficult, but often rewarded. We remain liquid and focused on the Fund's key priorities.

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