Fiera Quantum Diversified Alpha Fund

FIERA QUANTUM

OCTOBER 2013

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
Fund Codes	GMP104 – A-1
Management Fee	2.00%
RSP Eligibility	Yes
Assets under management[1]	$201.8 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 (Master Fund) (%)

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Year/ YTD
2008				1.01	3.27	1.72	1.44	1.07	-7.90	-13.14	-7.56	0.42	-19.22
2009	2.98	1.00	4.12	8.56	7.07	0.35	1.41	2.57	2.35	1.14	1.04	2.08	40.28
2010	1.74	0.05	1.32	1.41	-1.01	-0.67	0.13	0.08	1.86	1.98	1.70	3.05	12.19
2011	2.42	1.65	-0.84	-0.19	0.31	-0.92	0.49	-1.15	-2.09	-0.19	-0.72	-1.19	-2.48
2012	2.03	0.80	0.80	-0.44	-0.84	0.14	1.64	-0.10	0.49	0.08	-0.28	0.32	4.70
2013	1.24	-0.41	-0.12	-1.10	-0.13	-1.84	1.48	-0.83	0.94	1.17[2]			0.34[2]

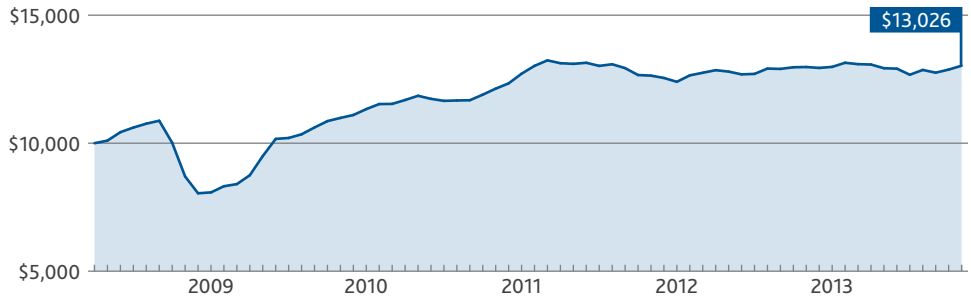
1 Month	3 Months	6 Months	YTD	1 Year	2 Years[3]	3 Years[3]	5 Years[3]	Inception[4]
1.17	1.27	0.75	0.34	0.38	1.52	2.40	8.40	4.85

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

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

[4] *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]



Risk/Return Analysis[2]

Net annualized return since inception	4.85
Annualized standard deviation	9.79
Annualized Sharpe ratio (1.09%)	0.38
Best monthly return	8.56
Worst monthly return	-13.14
Percentage of months with positive performance	65.67
Average return when market is up[5]	1.19
Average return when market is down[5]	-1.46
Worst drawdown	-26.04

[5] *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.*

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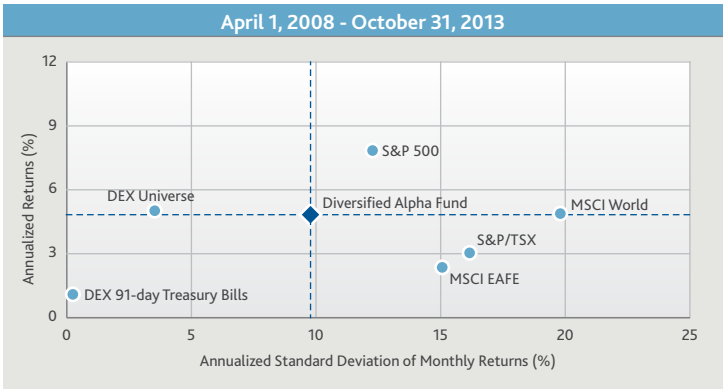
Diversification

		0 10 20 30 40 50 60 70 80 90 100
Equity	40.0%	
Macro/Quantitative	25.0%	
Credit/Fixed Income	25.0%	
Cash	10.0%	
Total	**100.0%**	

Stronger performance, lower relative volatility[2]



Fund Commentary

The Diversified Alpha Master Fund experienced strong risk-adjusted returns in October, up 1.17%, net of fees.

October started in the midst of the 16-day U.S. government shutdown. During the shutdown, 800,000 federal employees were "furloughed" without pay until regular government operations resumed on October 17. The 16-day-long shutdown was the third-longest in U.S. history. The Republican-led House attempted to delay or "defund" Obamacare while the Democratic-led Senate passed several continuing resolutions for maintaining government funding without conditions. The political fighting in Washington was fierce, yet on the evening of October 16, Congress passed the Continuing Appropriations Act and also kicked the "Debt Limit" issue down the road until February 7, 2014. While this shutdown did have some short-term economic consequences, and certainly weighed on risk markets for the first days of the month, the debt ceiling and budget agreement did eventually pass. Risk markets rallied strongly thereafter.

The knee-jerk reaction of risk markets was to rally strongly. For the Diversified Alpha Fund, we allocated additional capital to our equity long/short strategy. The technology-heavy NASDAQ rallied, as did the S&P 500, followed by the S&P/TSX 60. Beyond the budget deal, investors looked to the Fed to continue their stimulus and defer the taper to help justify the equity market surge. The S&P 500 has now rallied for more than 500 days without a 10% correction, and at some point earnings will need to catch up to valuations. Third-quarter earnings were mixed, with the major concern being top-line revenue growth. Surprisingly, the S&P 500 is up about the same percentage YTD in 2013 as it was in 2009, giving the index the biggest gain in over a decade. Given this streak, weaker corporate earnings could trigger a pullback. On the positive earnings side, technology companies have been the leaders in the marketplace, with big-cap names like Microsoft and Amazon rallying strongly in the month. That said, broader revenue growth has only risen by 2.2% (according to Thomson Reuters) for the market at large, with just 54% of companies beating forecasts – below the long-term average of 61%.

In other news, confidence that the taper will be delayed is now rooted in weaker economic data, such as pending U.S. home sales slumping 5.6% in September, a rate that was far steeper than expected and the biggest drop in more than three years. Factory output rose only 0.1% in September, after August's 0.5% gain. So long as market liquidity in the form of lax monetary policy remains, the market itself will likely continue to climb its wall of worry. Capital allocation market-wide continues to move away from fixed income, favouring equities. Fixed-income fund redemptions continued to be strong throughout October.

We continue to prioritize capital allocation within the Fund. That principle underscores our mandate of capital preservation and volatility management. We have, however, allocated more to long/short equities, with positive returns for our investors. We remain well-diversified, dynamically hedged on risk assets and positioned to take advantage of opportunities for superior risk-adjusted returns in the months ahead

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