Fiera Quantum Diversified Alpha Fund

FIERA QUANTUM

MARCH 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]	$169.7 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	0.71[2]										1.49[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]
0.71	1.49	4.05	1.49	2.17	1.67	0.23	8.29	4.40

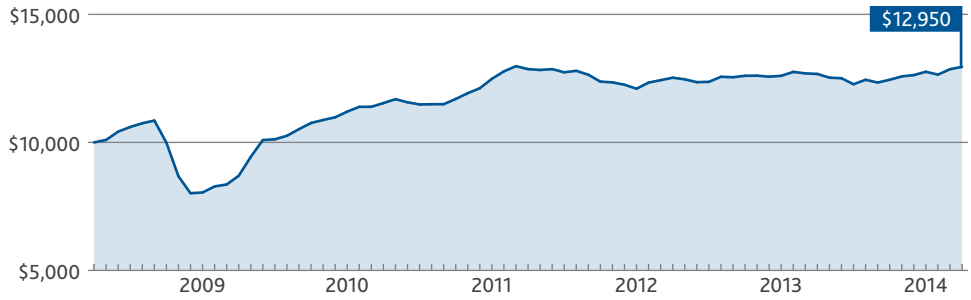
[2] *Performance figure for the month of March is preliminary and is subject to further confirmation by the portfolio manager.*

[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	4.40
Annualized standard deviation	9.46
Annualized Sharpe ratio (1.08%)	0.35
Best monthly return	8.50
Worst monthly return	-13.16
Percentage of months with positive performance	66.67
Average return when market is up[6]	1.08
Average return when market is down[6]	-1.51
Worst drawdown	-26.14

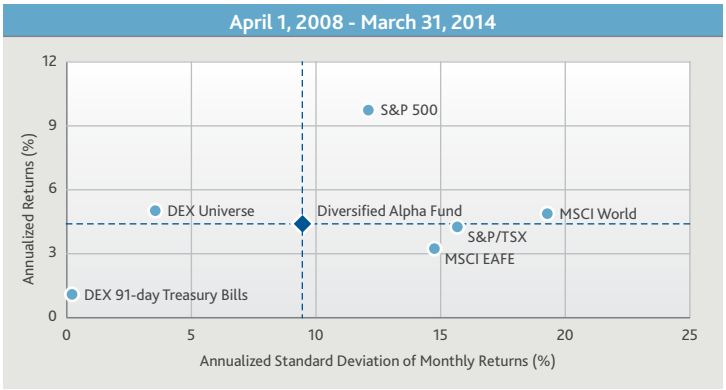
[6] *Market based on Fiera Quantum's blended benchmark: 40% S&P/TSX, 20% Merrill Lynch High Yield CAD, 20% Merrill Lynch US Master II, 20% S&P 500 USD.*

Fiera Quantum Diversified Alpha Fund

Diversification

Equity	39.0%
Macro/Quantitative	28.0%
Credit/Fixed Income	33.0%
Cash	0.0%
Total	**100.0%**

Stronger performance, lower relative volatility[2]



Fund Commentary

The Diversified Alpha Fund – Class F-I experienced another strong month of positive risk-adjusted return in March, up 0.71% (preliminary), net of fees and expenses.

When 2014 began, one of our most strongly held views was that this year would bring more volatility to the markets than what we saw in 2013. Our rationale was that whenever the Federal Reserve begins to tighten monetary policy, higher volatility has historically followed. While higher volatility is normal at this stage of the recovery, it does not mean the end of the recovery. Instead, it usually provides opportunities to invest new capital at better prices. The month of March was a microcosm of the volatility we predicted earlier in the year.

On March 19, Janet Yellen announced at the end of her first meeting as the Fed Chair that the central bank would continue to reduce its monthly bond purchases by $10 billion, down to $55 billion a month starting in April. However, the U.S. economy continues to be supported by near-zero interest rates. As for the timing of a rise in U.S. interest rates, the Fed abandoned their threshold of 6.5% unemployment, in favour of a broader view of the job market. The Fed made this change as a result of February's unemployment number coming in at 6.7%, which gave policy makers with little room to manoeuvre. Following the announcement, Yellen stated that rates could remain low for a "considerable" period of time, after which she stated this could be defined as "around six months". This immediately spooked both the equity and credit markets.

U.S. credit investors seemed to care more about the March 19 FOMC meeting than the tensions in Russia and Ukraine. The biggest risk for credit investors in the near term is the prospect of rising rates which could reverse the performance trend we have seen year-to-date, where long duration has outperformed short duration. The high-yield bond market continues to tighten. Notwithstanding the historically low default rates, the credit quality of new high-yield issues will be greatly impacted by an increase in interest rates. This trend was recognized by Fed Governor Tarullo who said recently "Still, there are areas where investors appear to have been very sanguine regarding certain types of exposure and modest in their demands for compensation to assume such risk. High-yield corporate bond and leveraged loan funds, for instance, have seen strong inflows, reflecting greater investor appetite for risky corporate credits, while underwriting standards have deteriorated, raising the possibility of large losses going forward."

We were still positioned with a risk-on bias to start March, having moved in that direction towards the end of January. We continue to be at the upper end of our exposure to equity strategies, while still being mindful of our risk parameters. In March we also had some protective option positions that expired. However, we felt that it was prudent to prepare for the unlikely scenario that the conflict in the Ukraine led to something larger.

We anticipate that the volatility experienced in March will continue for the foreseeable future. This volatility will lead to opportunities in the long run. In the meantime, we remain focused on capital preservation and volatility management which should keep investors in good shape.

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