MARKET COMMENTARY

JIM HUANG, MARKET COMMENTARY

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RESOURCE SECTOR REVIEW

For most resource sectors in Canada, 2014 presented itself as another difficult year. Although the economy in the United States continued to pick up steam, economic recovery in the rest of the world was slow. Europe continued to remain somewhat stuck in neutral, while China, under its new leadership, appeared focused on structural reforms, which does not stimulate short-term growth. At the same time, money flowed out of emerging markets and commodities and found its way into the perceived safety of the Unites States market.

Subsequent to starting the year on a high note, energy stocks fell sharply as oil prices dropped significantly under the weight of near term over-supply and the lack of balancing action taken by the Organization for Petroleum Exporting Countries (OPEC). Investor selling pressure ended up spilling over to the base metals in late 2014, even though, there wasn't a general over-supply for most base metals. Gold appeared to have stabilized in the trading range of $1,100 and $1,400 an ounce later in the year while gold stocks started to make a move.

All in all, there are a number of indicators that point to a rebound. The determination of the major central banks to use all fiscal and monetary tools at their disposal to maintain positive economic growth remains intact. Any withdrawal of the extraordinary stimulus will only be gradual. The reform in China will position the country for renewed and continued sustainable growth for the long run. And in Japan after decades of inaction, aggressive fiscal, monetary and structural policies are being implemented, which in turn are influencing the stock market to higher ground.

With headwinds from political stalemates abating, we believe resource stocks will stage a strong rebound. Given the rapid pace at which commodity prices declined beyond long-term supply-demand fundamentals, we anticipate the rebound in prices should also be quick in turning around. Although $100 a barrel for oil may have to wait a few years, a recovery is fully anticipated.

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FUTURE STRATEGY

By now it is clear that we are in the midst of a cyclical upswing, both in the real economy and in the stock market. The question that remains is, whether, after 6+ years of significant gains, this market still has room to grow. On one hand, global economic growth is picking up some momentum after a frustrating pace of recovery to-date and is gradually spreading from the US to Europe and Japan. China, though slowing amid a grand transition to the post-mercantilism era, is not about to

Continued on next page...

FUTURE STRATEGY (continued)

collapse; much to the disappointment of the many naysayers. With economic growth comes a demand for goods, and with demand comes strong corporate profits and additional investment. Don't forget, central bankers have been keeping interest rates very low in attempts to encourage more spending and more investment while low inflation continues to prevail.

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The good news is politicians these days, at long last, seem to argue a little less and stay out of economy's way a little more. On the other hand, there are still many countries that face serious long-term challenges such as the aging population, structural fiscal and current account deficits, and in some cases, inefficient and unbalanced growth models. High youth unemployment, ethnic/religious conflicts, and unstable governments also add to the mix, and not to mention, today's easy money may very well become tomorrow's runaway inflation. We will continue to take advantage of the current landscape while keeping a close eye on the horizon. Our current fund focus is low-cost oil and natural gas, uranium, selected base metals and forest products.

We thank you for your continuing support.

Sincerely Yours,

Jim Huang, Portfolio Manager

Maple Leaf Short Duration Flow-Through Limited Partnerships
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