

# INVESTOR UPDATE.

July 2013

Dear Investors:

## **RE: SPRING 2013 UPDATE ON RESOURCE MARKETS**

The first half of 2013 continued to be difficult for most resource sectors. Even though the economic recovery in the US started to pick up steam despite the fiscal tightening, the same could not be said for the rest of the world. Europe remains mired in a shallow recession, while China, under the new leadership, seemed intent on structural reforms, which do not benefit short-term growth. At the same time, money flowed out of emerging markets and commodities and into the perceived safety of the US financial market. Gold, which had previously played that role, was hit hard. Gold bullion fell 26% in the period, while gold stocks went down 43%. Prices for other commodities fell as well except for oil and natural gas, which registered small gains, but even energy sectors suffered as investors fled to non-resource sectors. Amid the gloom, there are many hopeful signs that point to an eventual rebound. The determination of the major central banks to use all 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 set it up for renewed and more sustainable growth for the long run. In Japan, after decades of inaction, aggressive fiscal, monetary and structural policies are being implemented, and the stock market has soared. With headwinds from the political stalemates abating, we believe resource stocks will stage a strong rebound. A self-sustaining recovery is now underway and should bring better returns for resource investors.



## **MAPLE LEAF SHORT DURATION 2013 FLOW-THROUGH LIMITED PARTNERSHIP**

The Maple Leaf Short Duration 2013 Flow-Through Limited Partnership successfully completed its initial public offering in May 2013, raising total assets of \$12 million. The Fund is selectively investing in the Canadian resource sector, taking advantage of the current depressed share prices. By the end of June 30, 2013, commitments have been made for approximately 40% of the total portfolio, with emphasis on the oil and gas sectors. The manager is focusing on the sustainability of the investee companies, while limiting the premium paid. In this challenging funding environment for resource companies, capital preservation is job one and targeted sector weightings will be adjusted as needed.

## **FUTURE STRATEGY**

While the Manager continues to believe the foundation of the secular global economic expansion is intact - global liquidity is still plenty and the rising of the East is nowhere near to be over - it is too early to declare that the cyclical bull market has resumed. Even though economies have been boosted by various rescue / stimulus measures from authorities, it remains to be seen if a self-sustaining

[Continued on page 2.](#)

recovery has taken hold. As many of these measures are gradually withdrawn, signs of weakness have surfaced, renewing debates on whether and when the huge fiscal and monetary incentives should be taken back. As the European financial crisis has shown, even countries cannot live on borrowed money forever. In the end, whether the global economy can sustain a strong recovery in the face of the many challenges is the key to the direction of the markets over the next year. Buying opportunities will undoubtedly arise but this market will only reward the patient. Long term, this manager continues to believe in the natural resources sectors as beneficiaries of past structural under-investments and the emergence of new demand centers. Current focus areas include uranium, lumber and selected oil and gas opportunities.

Thank you for your continuing support.

Sincerely Yours,

A handwritten signature in black ink, appearing to read 'Jim Huang', with a long horizontal flourish extending to the right.

Jim Huang, Portfolio Manager  
Maple Leaf Short Duration Flow-Through Investments