mapleleaf funds

INVESTOR UPDATE.

January 2013

Dear Investors:

RE: WINTER 2013 UPDATE ON RESOURCE MARKETS

JIM HUANG, CFA, CGA
PORTFOLIO MANAGER

It was an up and down year for the markets, and a very difficult time for resource investors. After a brief rebound in early 2012 which saw the high for the Canadian markets, renewed concerns on the slowing of the Asian economies and the Greek/European debt crisis caused the resource sector to sell off sharply into the summer. The determination of the major central banks, especially the European Central Bank (ECB), to use all tools at their disposal to maintain positive economic growth and to avoid the disintegration of the European Union, calmed investors for a few months, before the stalemate in the U.S. and thus the prospect of a severe contraction in the US economy weighted on the markets again. What hurt resource stocks in particular was the slower than expected recovery in the Chinese economy and the continuing "risk-off" attitude amongst investors, which caused smaller companies to seriously under-perform. Take the Canadian markets for example, even though the S&P/TSX Composite was up 4% for the year, the junior dominated Venture Index went down 20%. Most economically sensitive commodities fell, with base metals and iron ore leading the way down. Although oil price remained elevated, the widening discounts for Canadian crude caused most oil stocks to underperform. Gold had a couple of big rallies in the year, but ended largely unchanged, with gold stocks continued to lag behind. Yet despite all the gloom and doom, economic growth has gained traction in both US and China, and Europe is climbing back from a recession. With headwinds from the political abating, we believe resource stocks will stage a strong rebound in 2013. Although there will be political headwinds in 2013, a sustaining recovery is underway and should bring better returns for resource investors.

Maple Leaf 2012 successfully completed its initial public offering in July 2012, raising total assets of $13 million. The Fund completed its investment mandate by the end of 2012, investing in a diversified portfolio of 30 (17 for the Quebec Class) publicly traded securities, consisting of a 38% weighting in precious metals equities, a 10% weighting in base metals equities, 3% in bulk materials and others and a 49% weighting in energy equities. The makeup of the Quebec Class at investment is 47% weighting in precious metals equities, a 23% weighting in base metals equities, 8% in bulk materials and others and a 22% weighting in energy equities. The manager had limited the premium paid to 11%, taking advantage of a challenging funding environment of for resource companies and will safeguard fund's return by adjusting the sector weightings opportunistically.

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

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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.

Thank you for your continuing support.

Sincerely Yours,

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