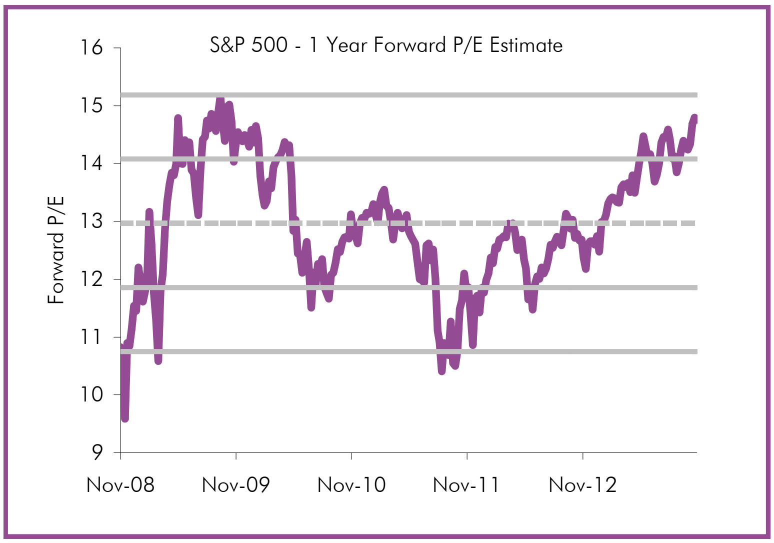
Equity Strategy and Update

Year-to-date returns (December 31 2012 - October 31 2013)

Yorkville Enhanced Protection Class (Equity, Series O)	+18.70%
Yorkville Global Opportunities Class (Balanced, Series O)	+14.17%
Yorkville Optimal Return Bond Class (Bond, Series O)	-0.36%

On October 1st, the US federal government entered what eventually became the country's third longest government shutdown in its history, suspending approximately 800,000 jobs with another 1.3 million employees uncertain as to when their next pay check would arrive. In September, Ben Bernanke acknowledged that the US economy was not showing sufficient signs of growth to warrant a tapering of their $85 billion a month stimulus program. In spite of this, the S&P 500 reached a new all time high on October 29th, reaching a level of 1771.95 and delivering a year-to-date return of 26.38%. This dichotomy of significant macroeconomic headwinds and record equity market levels leaves many investors confused and fearful of investing in at these lofty levels. The dramatic rise in equity prices experienced so far in 2013 without having seen a meaningful corresponding growth in corporate earnings, is a cause for concern for us. The S&P 500's forward P/E ratio has expanding to 14.75 times earnings. While not necessarily high on an absolute level, it is well above its 5 year historical average of 12.96x and is approaching a level 2 standard deviations higher than that average (15.18x). While it may not be time to ring the alarm, we believe exercising caution at these levels is prudent.



A high forward multiple on the market implies an expectation of future earnings growth, that's how the multiple is justified. We just haven't seen that top or bottom line growth yet, and therefore believe corporations have very big shoes to fill to earn that multiple. Being value investors, we view valuations as stretched at these levels on a broad market basis. As opposed to discounting future growth, we believe the market surge is tied to fed policy as opposed to fundamentals. In the absence of earnings growth Ben Bernanke's announcement in September to not taper QE certainly filled the void, sending the markets to their highs.

Taking this into consideration, we have shifted the equity portfolios to be more defensive going into the new year. Beyond the potential for tapering alone to shake the market, we expect volatility to increase leading up to the Fiscal Year 2014 Budget Blueprint on December 13, the expiration of the short-term funding bill on January 15, and the expiration of the debt limit suspension on February 7th.

The potential for market-moving policy missteps is rising both in severity and in frequency and we are positioning the portfolios accordingly. We have implemented this defensive strategy by purchasing put-spreads linked to the S&P 500. We chose put spreads as opposed to single name covered calls, or plain put option buying for the following reasons… Volatility cheapened significantly after QE was extended in September, we generally like to be buyers of volatility in this cheap vol environment. However we also want to buy the market opportunistically if it does in fact drop by 5%-10%. Therefore in addition to buying the put options on the market, we are also selling put options further out of the money to not only offset the cost of the long put option premium, cheapening the cost of the hedge, but to also introduce the obligation to buy the market at that strike price, if that correction occurs.

Furthermore, we want to highlight that although market valuations appear high, our equity portfolios remain below benchmark on a current and forward earnings multiple basis. While we may not see value in the broad market and are hedging market risk accordingly, we do continue to see value in the names we hold today.

It is worthwhile noting that we are approaching the end to Q3 2013 earnings season and we are pleased to report that our equity positions on average are delivering a 2.92% positive surprise on the top line and a 6.74% positive surprise on the bottom line relative to analyst expectations. This compares favourably to the S&P 500 which so far has delivered a positive top line surprise of only 0.60% and a positive bottom line surprise of 3.97%. Three companies who we feel reported particularly strong quarter were Morgan Stanley, Ford Motor Company, and Whirlpool, our newest position in the funds. This is worth noting as we have favoured US equities since 2011 and continue to do so on the heels of a sustainable recovery in the housing markets and the consumer. These three companies are all poised to benefit from this recovery and their recent quarterly reports serve to further reinforce our investment thesis.

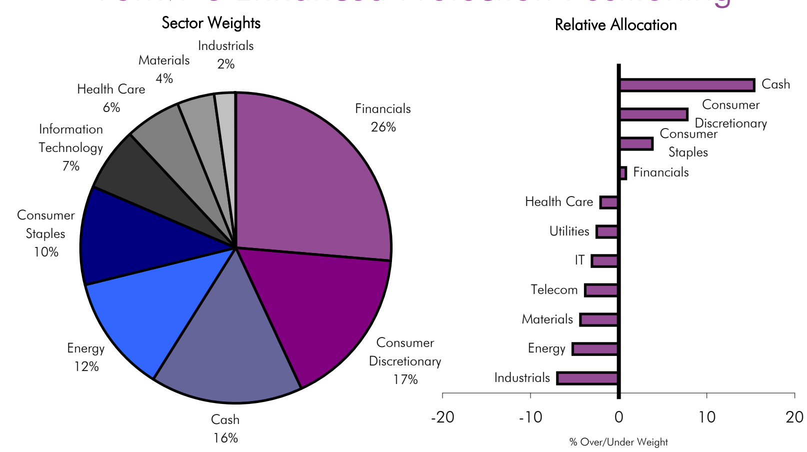
Managing risk, nurturing wealth.

YORKVILLE ASSET MANAGEMENT

Portfolio Update

The equity portfolio continues to invest based on the thesis that select areas of the US economy continue to improve as a result of accelerating housing metrics such as the S&P Case-Shiller Home Price Index shown on the right and increasing new and existing home sales. As the housing market goes, so to does the fate of the US consumer, and we are encouraged by the data coming out of the sector. Furthermore, employment statistics and inflation, although positive, remain below levels we believe the Fed would be inclined to begin withdrawing stimulus from the market. Therefore we continue to be supportive of the key investment themes currently in the portfolio. We have also added to our Energy sector exposure as we are still finding value in select names such as British Petroleum, trading at only 9.26 times next year's expected earnings, relative to the S&P 500 trading at 14.75 times. With that being said, we added hedges to the S&P 500 in late October to express our cautious view in recognition of this valuation.

Yorkville Enhanced Protection Positioning

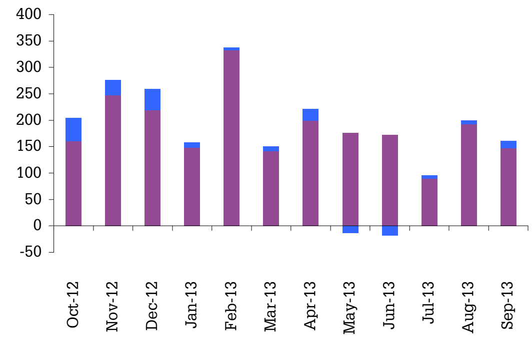


YORKVILLE STRATEGY PERFORMANCE AS AT OCTOBER 31 2013

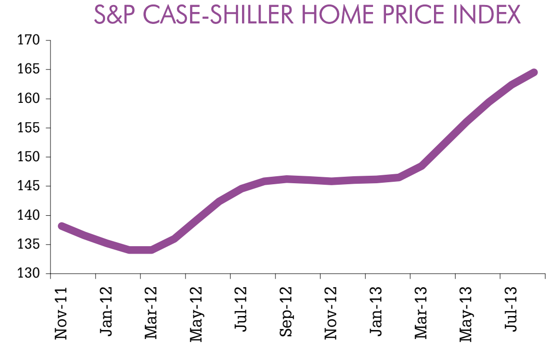
	1 Month	3 Months	1 Year
Yorkville Enhanced Protection Class	4.89%	3.62%	20.86%
Yorkville Global Opportunities Class	3.57%	2.14%	13.79%
Yorkville Optimal Return Bond Class	1.68%	1.77%	-0.34%

*Series O performance based on beginning and ending NAVs

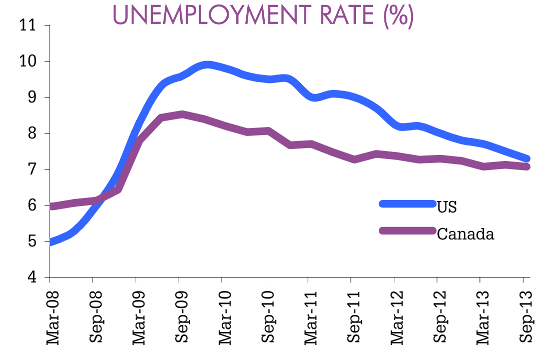
CHANGE IN US PAYROLLS

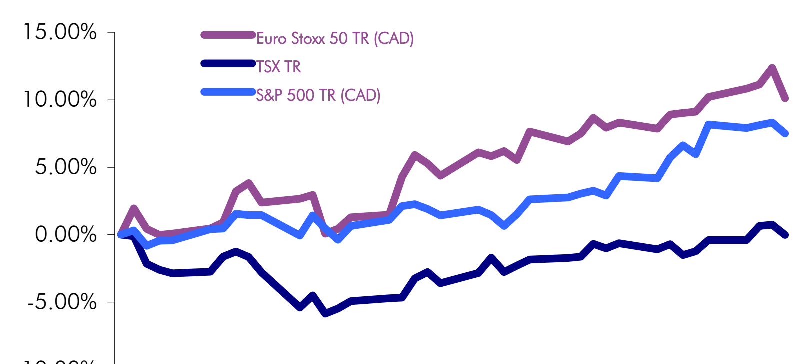


S&P CASE-SHILLER HOME PRICE INDEX



UNEMPLOYMENT RATE (%)





Year To Date Total Return in CAD

OCTOBER RETURNS (CAD)

SECTORS	S&P 500	TSX
Consumer Discr.	6.01%	5.22%
Consumer Staples	7.73%	5.15%
Energy	5.51%	3.20%
Financials	4.60%	6.34%
Healthcare	5.66%	2.74%
Industrials	6.49%	9.25%
Info Tech	5.95%	-0.76%
Materials	5.57%	1.67%
Telecom	9.93%	4.49%
Utilities	5.17%	5.52%

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