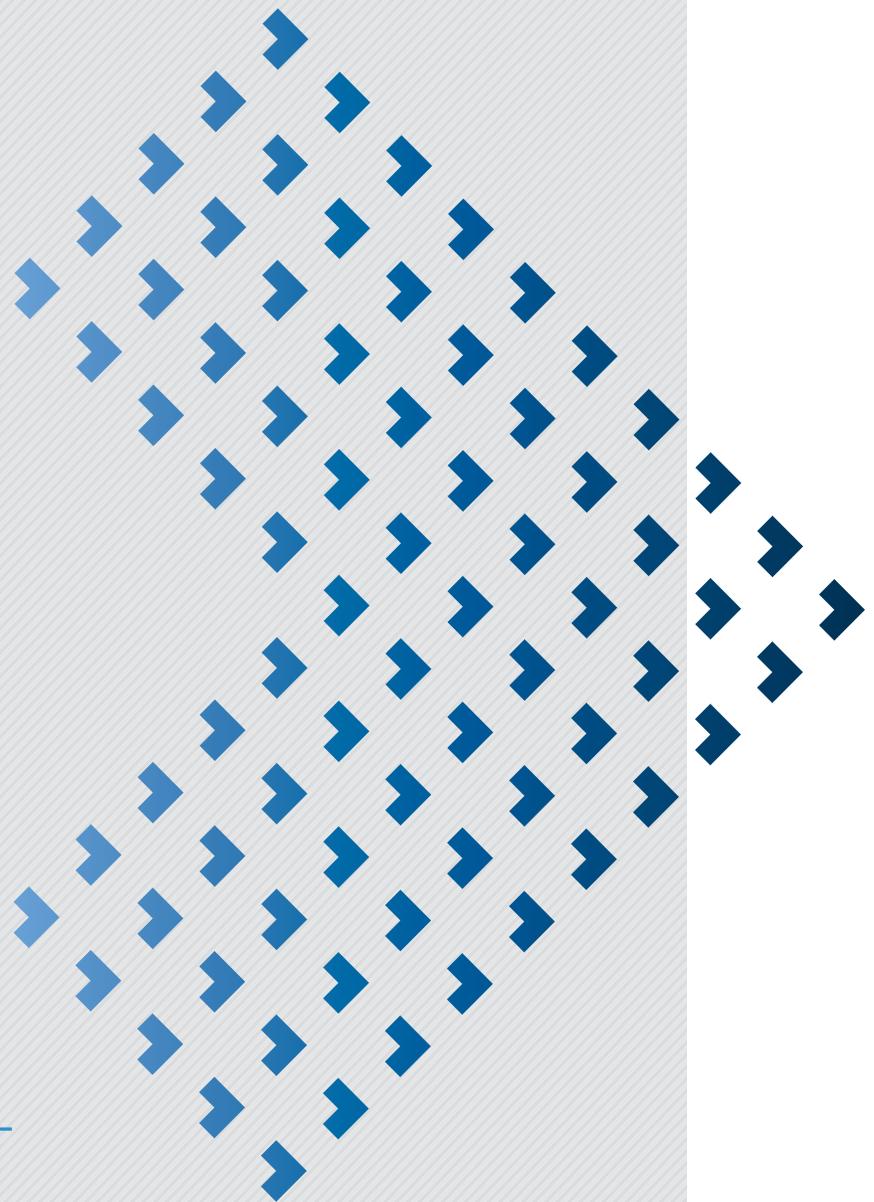


GLOBAL  
FINANCIAL  
FORECAST  
2018-2025





# — GLOBAL FINANCIAL FORECAST

Fiera Capital is updating its long-term Global Financial Forecast<sup>1</sup>. The goal of this exercise is to help investors establish strategic portfolios that have the best likelihood of meeting their objectives.

2017 was a very good year for investors as most asset classes enjoyed healthy results. While our outlook for the key factors that are likely to shape the investment environment has not changed significantly, future expected returns have come down because of last year's positive results. The business cycle is one year older, major central banks have indicated their intentions to reduce their asset purchases and to progressively increase interest rates, politics have shown an inclination towards less regulation and more protectionism, productivity has shown signs of improvement, and demographic factors remain the same.

<sup>1</sup> As of June 1, 2018. The information herein is as of the date of this presentation, unless otherwise indicated.

All data in the present document are in U.S. dollars unless otherwise indicated.

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# — DRIVERS, FACTORS AND MARKET BEHAVIOUR

Over the next 5-10 years, we believe productivity, demographics, politics, central banks and the business cycle will drive economic growth, inflation, liquidity and valuation.

Growth, inflation, liquidity and valuation are the most powerful factors that we believe will shape the behaviour of financial markets.



1

2

3



## ECONOMIC DRIVERS

Drivers are the key elements that impact the economy.

- > Productivity
- > Central banks
- > Demographics
- > Business cycle
- > Politics



## FINANCIAL MARKET FACTORS

Our forecasting approach aims to identify the factors that impact financial markets and understand how each of these factors affects the returns of assets. We have established four categories of factors: growth, inflation, valuation and liquidity.

BONDS	NON-TRADITIONAL INCOME
STOCKS	NON-TRADITIONAL CAPITAL APPRECIATION

## MARKET BEHAVIOUR

Market behaviour reflects the impact of factors and influences the economic drivers through the wealth channel.

## — ECONOMIC DRIVERS

Since 2008, the economy and financial markets have been driven by extraordinary actions from central banks, a thirst for yield, falling productivity and a prolonged expansion characterized by very low inflation. We continue to expect the next seven years to be driven by a return to normality in the business cycle, central bank activities and productivity. Demographics should drive investor behaviour toward income, and politics are likely to have a greater impact than usual.



## PRODUCTIVITY

As new technologies are being better utilized, productivity is showing nascent signs of improvement. Moreover, changes to the tax code should structurally favour investments and help produce more with less.



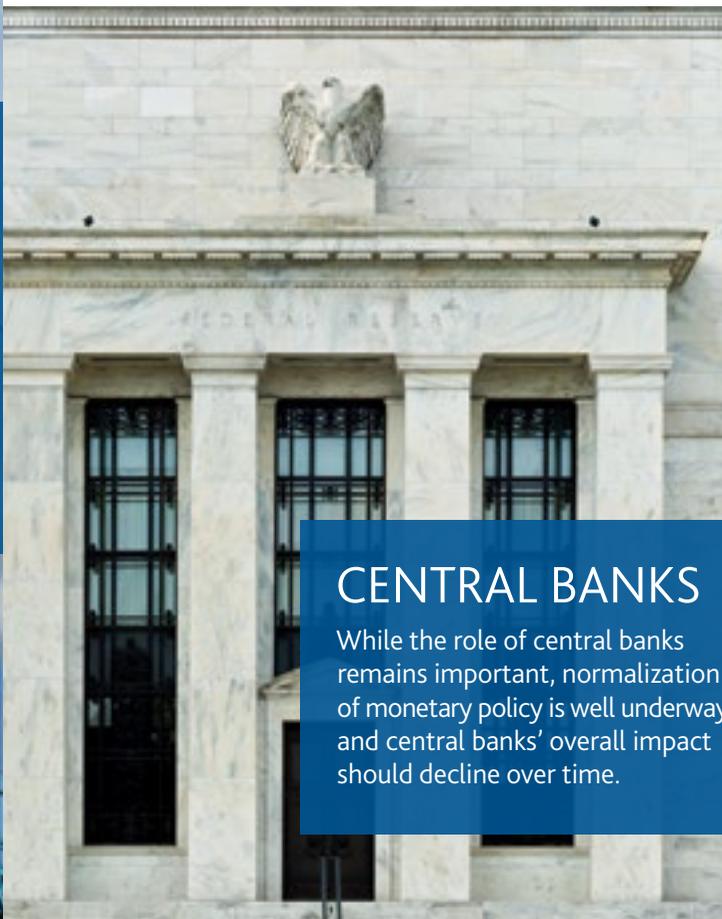
## DEMOGRAPHY

Income-producing assets have been the beneficiary of an aging population and retirement inflows into investment vehicles have supported markets. As baby boomers retire, the support from money flow should diminish.



## POLITICS

Protectionism and less regulation remain key factors in our outlook. As expected, the United States has been very active in trying to change the trade equation. Also, they have significantly reduced corporate taxes and the regulatory burden. A factor that is increasing in importance is the risk of meaningful armed conflicts.



## CENTRAL BANKS

While the role of central banks remains important, normalization of monetary policy is well underway and central banks' overall impact should decline over time.



## BUSINESS CYCLE

A full business cycle, including a recession and a recovery, remains our call for the next seven years. Global economic growth has been synchronized and excess capacity is being utilized. Credit availability remains plentiful but inflation has increased and we believe tightening of credit conditions should come in the next two to three years.

## — FORECASTED SCENARIO

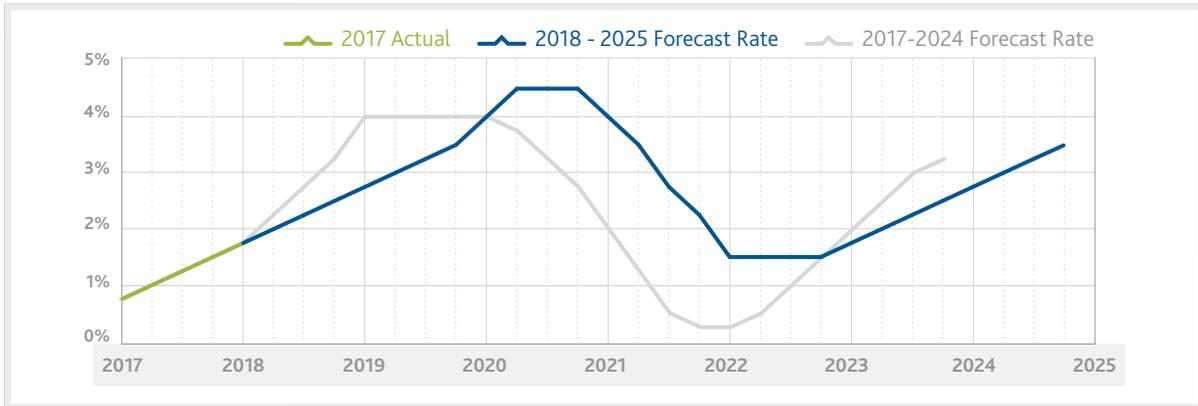
The economy continues to grow in 2018 and 2019, with capacity constraints pushing inflation over 2%. Central banks progressively increase interest rates in response, but remain timid in their approach, still living with the memories of the Great Financial Crisis. This period delivers low albeit still positive returns for equities, losses for bonds, increased volatility and rising commodity prices. As inflation fears mount, rates continue to increase, credit conditions deteriorate, and a recession takes place in late 2020 or early 2021. After reaching a plateau for overnight rates, central banks rapidly cut interest rates to boost credit. The years are characterized by plummeting equity values, positive returns for bonds, high volatility and lower commodity prices. The recession is relatively mild, interest rates remain positive and asset purchases are not part of the monetary policy toolkit. The recession is followed by a recovery, when the stock market rallies to new highs and interest rates recover towards levels closer to historical norms.

Source: Fiera Capital Corporation

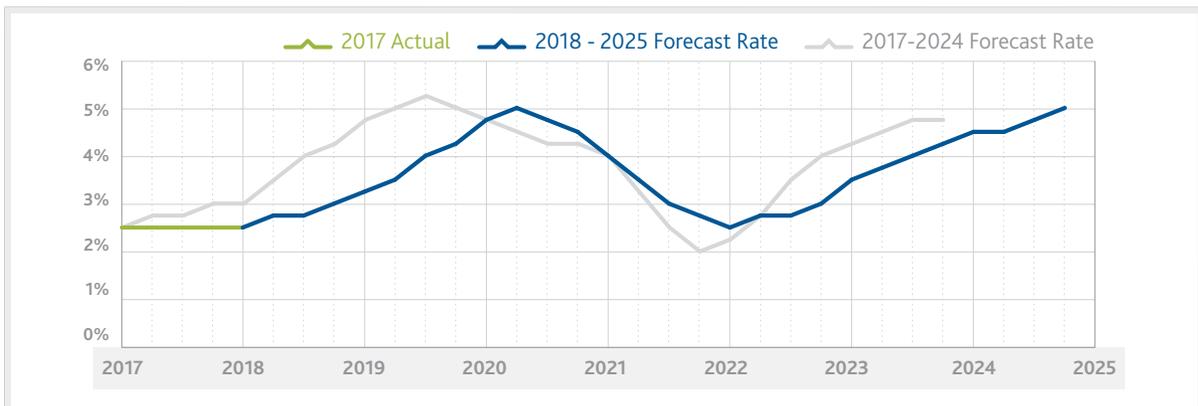
Past performance is no guarantee of future results. All investments pose the risk of loss and there is no guarantee that any of the benefits expressed herein will be achieved or realized.

Below is our expected path of valuation metrics for fixed income and equities. We believe the overnight rate in the United States will peak at 4.5% and be followed by a recession and rate cuts. We anticipate the stock market will progressively move higher with a speed bump before the recession. The following graphics show last year's forecast as a reference point for the evolution of our thought process.

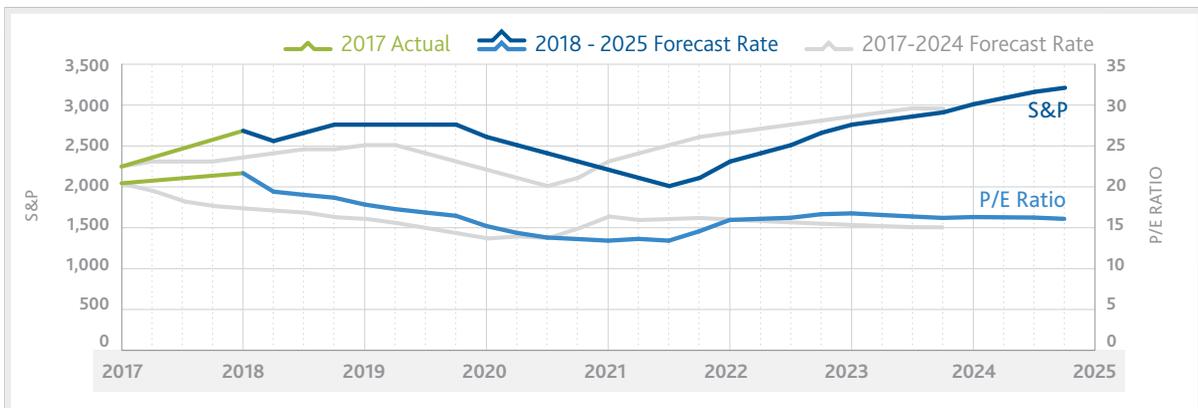
#### OVERNIGHT RATE



#### 10-YEAR RATE



#### PRICE-EARNINGS RATIO



Source: Fiera Capital Corporation

These expected returns are intended for the purpose of illustrative projections to facilitate analysis and are not guaranteed.

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## — FORECASTED RETURN MATRIX

	EXPECTED RETURN	EXPECTED VOLATILITY	LIQUIDITY SCORE
<b>TRADITIONAL INCOME</b>			
MONEY MARKET	2.0%	2.0%	99.0%
SHORT BONDS	2.5%	4.5%	96.0%
AGGREGATE BONDS	1.0%	9.5%	93.0%
CORPORATE BONDS	1.5%	10.5%	85.0%
LONG BONDS	-1.0%	13.0%	88.0%
TAX EFFICIENT BONDS	2.0%	6.5%	85.0%
HIGH YIELD BONDS	4.0%	11.0%	78.0%
PREFERRED SHARES	4.5%	13.0%	75.0%

<b>TRADITIONAL CAPITAL APPRECIATION</b>			
LARGE CAP USA	5.5%	19.0%	90.0%
LARGE CAP EAFE	5.0%	19.0%	90.0%
LARGE CAP EMERGING	7.5%	22.0%	78.0%
LARGE CAP FRONTIER	8.0%	25.0%	65.0%
MID CAP GLOBAL	7.0%	20.0%	80.0%
SMALL CAP GLOBAL	7.0%	22.0%	70.0%
LOW VOLATILITY	4.5%	15.0%	80.0%
HIGH DIVIDEND GLOBAL	5.0%	16.0%	85.0%

<b>NON-TRADITIONAL INCOME</b>			
PRIVATE LENDING	7.0%	11.0%	40.0%
CORE REAL ESTATE	6.0%	11.0%	35.0%
CORE INFRASTRUCTURE	7.0%	12.0%	30.0%
CORE AGRICULTURE	9.5%	14.0%	30.0%
MULTI-STRATEGY INCOME	5.0%	10.0%	80.0%
CLOSED-END INCOME	5.5%	14.0%	75.0%

<b>NON-TRADITIONAL CAPITAL APPRECIATION</b>			
MARKET NEUTRAL	7.0%	9.0%	55.0%
LONG SHORT EQUITY	8.5%	17.0%	55.0%
LONG SHORT CREDIT	7.0%	11.0%	50.0%
ARBITRAGE	5.0%	4.0%	90.0%
FUND OF HEDGE FUNDS	6.0%	8.0%	50.0%
PRIVATE EQUITY	7.0%	17.0%	30.0%

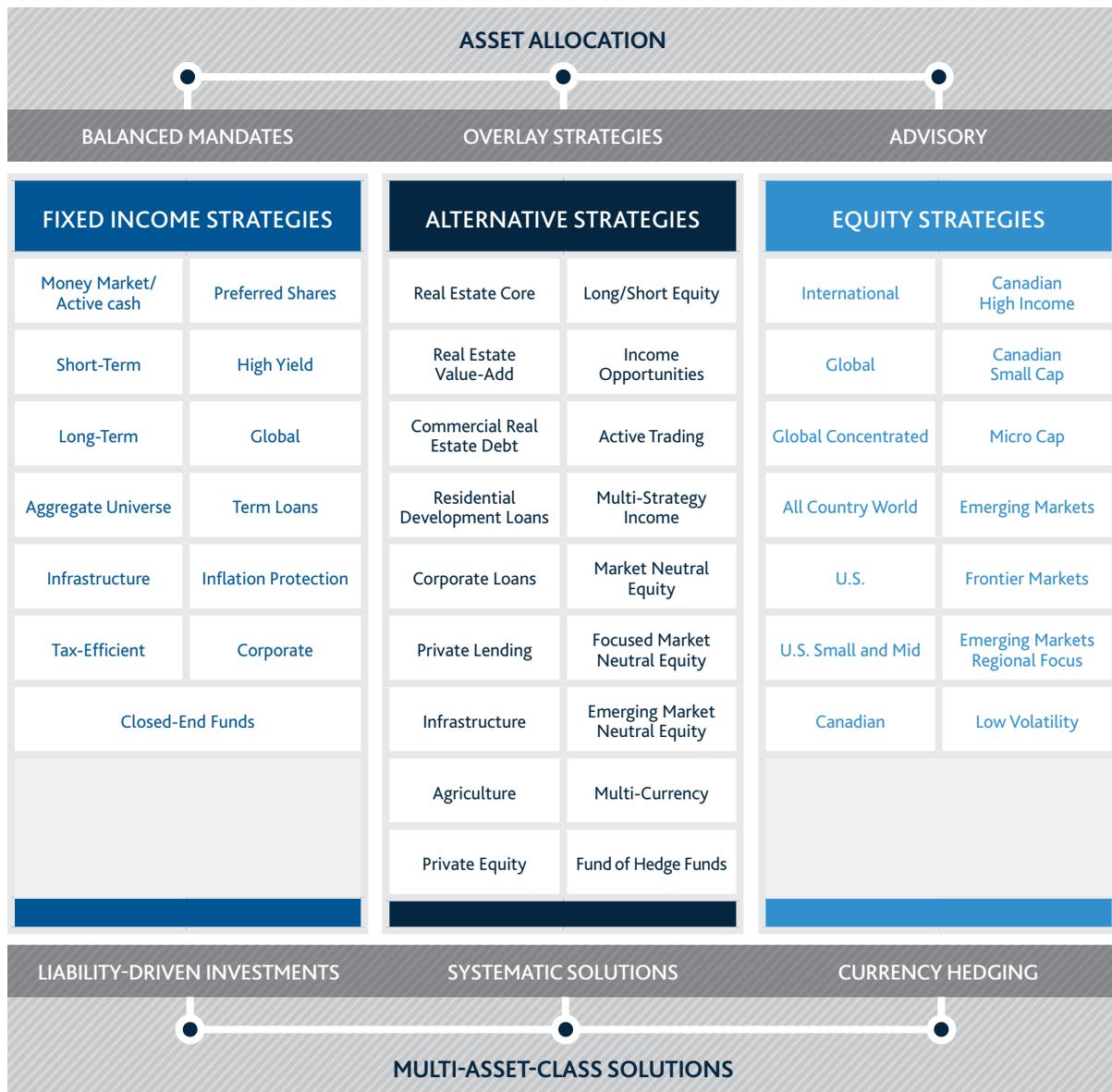
Source: Fiera Capital Corporation

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# — INNOVATIVE INVESTMENT SOLUTIONS

Ten years ago, we determined that the continuously low nominal economic environment required innovative thinking. It has always been clear that a portfolio of stocks and bonds that served investors well from 1985 until now would not necessarily meet the needs of investors in the future. As the economic environment evolves, we continue to innovate seeking to meet the needs of investors.



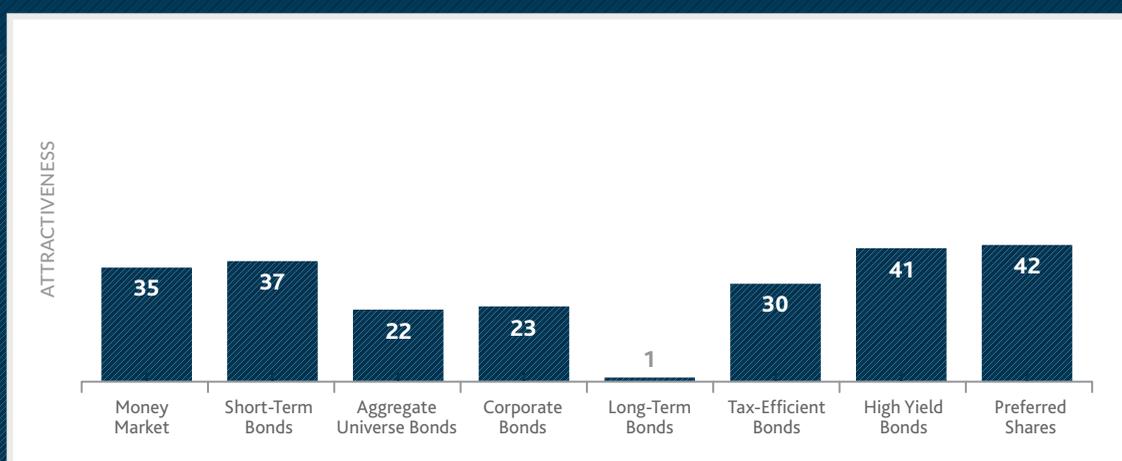
## Responsible investing

Integrating the assessment of material environmental, social and governance (ESG) risk factors into how we manage assets on behalf of our clients is crucially important in today's environment – especially for firms that operate in the financial and investment sectors. Each investment team is granted flexibility in how they assess the materiality of ESG factors and how they integrate this assessment into their investment processes. Their shared goal is to improve the risk-return characteristics of an investment portfolio, in order to enhance long-term investment returns. For additional information on responsible investing and corporate social responsibility, please visit the Responsibility section (About Fiera Capital) on fieracapital.com.

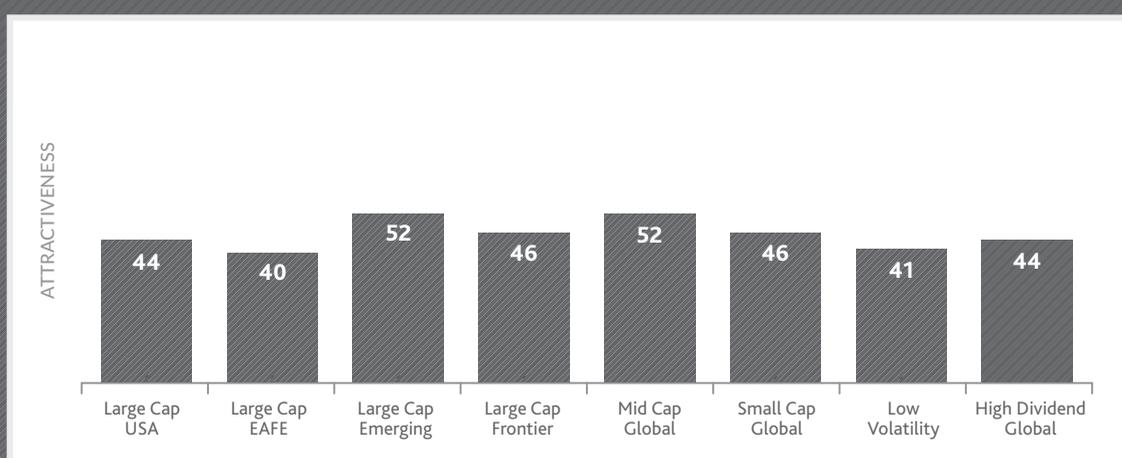
## — ASSET ALLOCATION

We developed a formula<sup>1</sup> to reflect the relative attractiveness of each asset we forecast by considering expected return, expected volatility and our internal liquidity score.

### TRADITIONAL INCOME



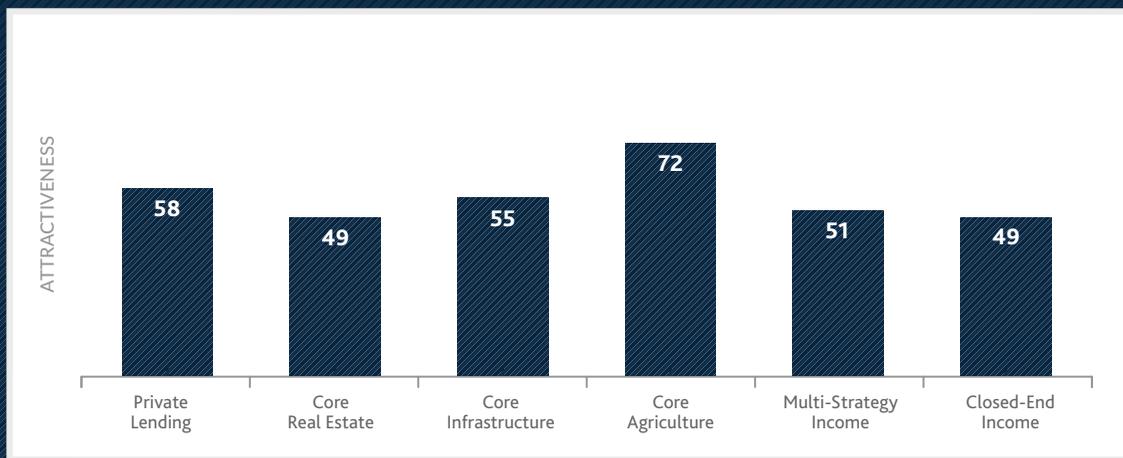
### TRADITIONAL CAPITAL APPRECIATION



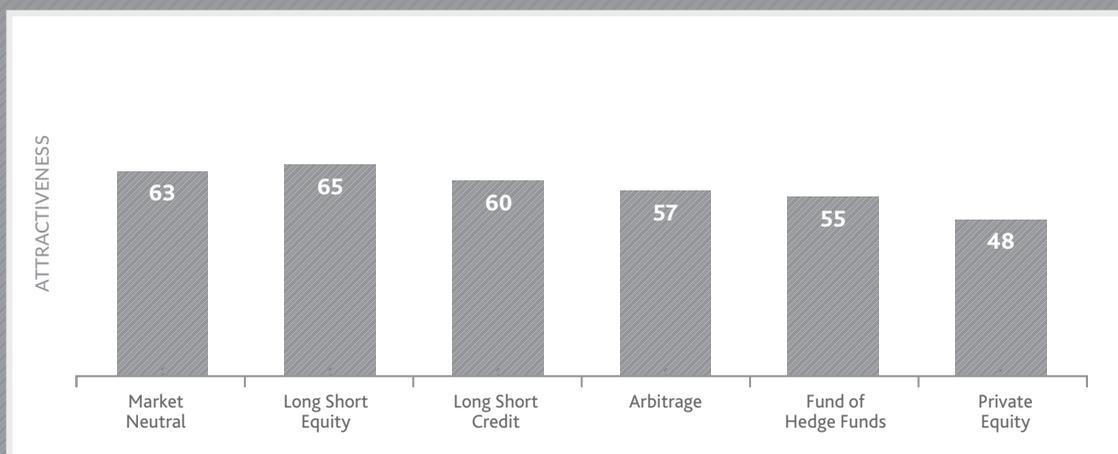
<sup>1</sup> Formula to determine attractiveness:  $(800 \times \text{expected return}) - (480 \times \text{volatility}^2) + (19.2 \times \text{liquidity score})$ .

Source: Fiera Capital Corporation

## NON-TRADITIONAL INCOME



## NON-TRADITIONAL CAPITAL APPRECIATION



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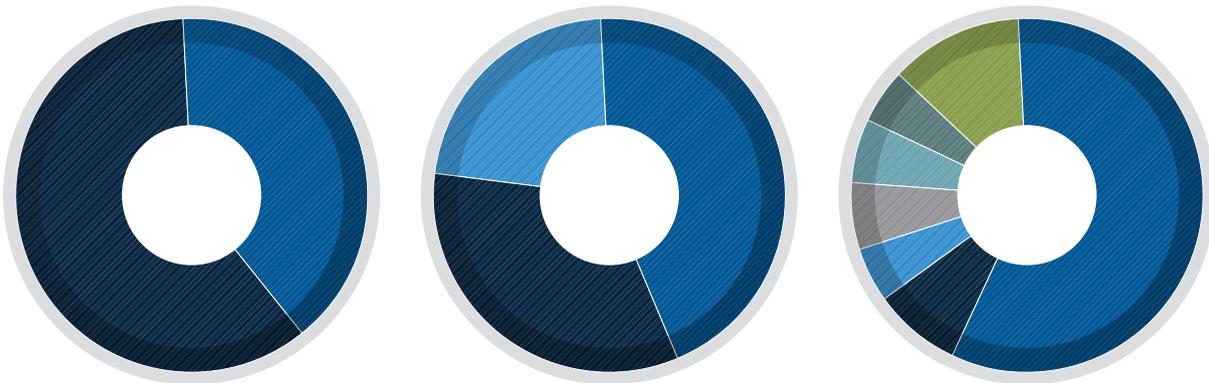
# MULTI-ASSET PERSPECTIVE

We believe the optimal management of a portfolio starts with the strategic asset allocation process. In fact, asset allocation has historically been proven to be the main decisional factor in generating portfolio return.

We have grown our investment platform over the years to help investors have access to a complete range of investment solutions including an important offering of non-traditional strategies. The need for strategic analysis that provides insight into allocation exposure and sources of volatility has grown with the increased use of sophisticated investment strategies. We have now expanded our offering of multi-asset solutions, the natural next step in growing our investment platform.



## TRADITIONAL PORTFOLIO



## DIVERSIFIED PORTFOLIO WITH ALTERNATIVE SOURCES OF RETURN



- Traditional Income
- Traditional Capital Appreciation
- Non-Traditional Income
- Non-Traditional Capital Appreciation

- Aggregate Bonds
- High-Yield Bonds
- Preferred Shares
- Large Cap USA
- Large Cap EAFE
- Large Cap Emerging
- Large Cap Frontier
- MidCap Global
- Private Lending
- Core Real Estate
- Core Infrastructure
- Core Agriculture
- Long Short Equity
- Long Short Credit
- Arbitrage
- Private Equity

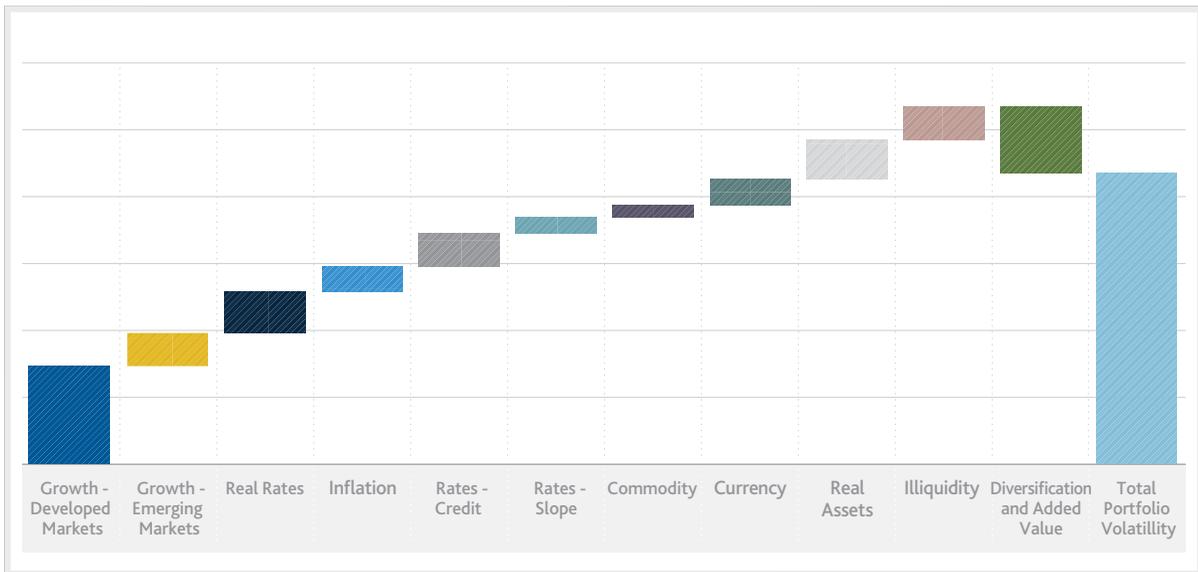
- Growth - Developed Markets
- Growth - Emerging Markets
- Real Rates
- Inflation
- Rates - Credit
- Rates - Slope
- Commodity
- Currency
- Real Assets
- Illiquidity
- Manager Added Value

For illustrative purposes only.

# — RISK FACTORS FOR MULTI-ASSET PORTFOLIO CONSTRUCTION

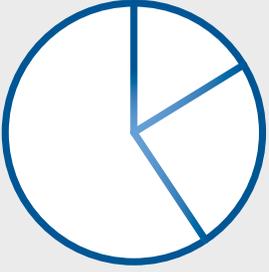
A simplified approach, built on robust quantitative analysis, enables us the ability to look-through the individual investment strategies, in order to understand the main drivers of risk and return within the portfolio. To get a complete picture of risk and diversification, we can decompose any investment strategy into common factors.

DIVERSIFIED PORTFOLIO RISK FACTOR DECOMPOSITION



For illustrative purposes only.

Risk factors offer investors a new perspective to understand, manage and monitor the underlying sources of exposure to risk-return factors, ensuring total portfolio optimization.



**Building a portfolio of diversified factor exposures**



**Confirming the value of adding new asset classes**



**Communicating and monitoring the portfolio's performance**

# — FIRM OVERVIEW

**Fiera Capital Corporation is a leading independent asset management firm rapidly acquiring a global presence and reputation.**

With more than C\$131 billion in assets under management as at March 31, 2018, the firm provides institutional, private wealth and retail markets with full-service, integrated portfolio-management solutions that span a broad array of traditional and alternative asset classes. We believe clients stand to benefit from Fiera Capital's depth of expertise, diversified offerings and performance-driven entrepreneurial culture. The firm provides its investment and asset allocation teams the necessary scope to responsibly pursue their particular strategies as boutique investment managers, backed by the substantial organizational and distribution resources befitting an industry leader.

Headquartered in Montreal, Fiera Capital also has offices in Toronto, Calgary and Vancouver, as well as New York, Boston, Los Angeles and Dayton (Ohio) in the United States, London and the Isle of Man in the United Kingdom and Frankfurt, Germany. The firm has more than 750 employees, including some 175 investment professionals, dedicated to meeting the needs of a diverse clientele that includes pension funds, endowments, foundations, religious and charitable organizations, family offices, high-net-worth individuals, financial institutions, retail investors, mutual funds and managed-asset platforms. Fiera Capital trades under the ticker FSZ on the Toronto Stock Exchange.



# FIERACAPITAL

The Power of Thinking

At Fiera Capital, we believe it is the power of our thinking that sets us apart. Our firm seeks to assemble top talent and empower its teams to devise innovative investment solutions that are in tune with market trends and tailored to meet the varying needs of our diverse clientele.

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- Fiera Capital Inc. - United States, registered as (i) an investment adviser with the U.S. Securities and Exchange Commission (the "SEC")\* and (ii) a commodity pool operator with the U.S. Commodity Futures Trading Commission.
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- Fiera Infrastructure Inc. - A corporation incorporated under the laws of Canada.
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\*Registration with the SEC does not imply a certain level of skill or training.



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