

## DIVERSIFIED LENDING

**Inception date**  
April 1, 2008

**Performance benchmark**  
FTSE Canada Universe

**Currency**  
CAD

### STRATEGY DESCRIPTION

The strategy's investment objective is to provide stable returns mainly through income generation via a diversified portfolio of specialized private lenders. It seeks to capture the dislocation in traditional banking dynamics via investments across geographies and multiple sectors of activity, including residential and commercial real estate lending, lower and middle market corporate lending, and other asset based and specialty lending. The strategy will invest primarily through Canada-based Limited Partnerships (LPs) specialized in private lending solutions, with a smaller exposure to partners based outside of Canada. The team applies a rigorous, multi-phased manager due diligence process. Portfolio construction is focused on risk management and strategic liquidity management in an asset class which is typically illiquid.

### HIGHLIGHTS

<b>Correlations</b>	Low correlation to traditional market indices and bonds.
<b>Performance objective</b>	91-day T-bill + 4.5%
<b>Target Yield</b>	91-day T-bill + 4.0%
<b>Valuation</b>	Monthly
<b>Average maturity of loans</b>	1 to 2 years
<b>Structure</b>	Pooled fund investing in a diversified portfolio of loans through private lenders
<b>Strategy AUM<sup>1</sup></b>	\$1.3 B

1. As at March 31, 2020

### WHY INVEST IN THIS STRATEGY

- Alternative to traditional fixed income with compelling risk-adjusted return proposition
- Diversified by market segment and geography across specialized managers
- Team with direct lending experience and robust manager due diligence expertise, firm with extensive track record in private lending
- Risk management and ongoing loan monitoring process, seeking to provide downside protection

### PERFORMANCE (%)<sup>2</sup>

As at May 31, 2020

#### PERFORMANCE PER PERIOD AND ANNUALIZED PERFORMANCE

1 Month	3 Months	6 Months	QTD	YTD	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years	SI
0.39	0.96	2.80	0.62	2.32	6.83	7.56	7.06	6.83	6.75	6.62	7.03	6.51

#### MONTHLY PERFORMANCE AND ANNUAL/YTD PERFORMANCE

	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Year/YTD
<b>2008</b>				-0.05	0.23	0.42	0.38	0.36	0.61	-1.21	0.34	0.56	1.63
<b>2009</b>	0.35	0.30	0.33	0.31	0.35	0.43	0.41	0.45	0.44	0.05	0.79	0.46	4.76
<b>2010</b>	0.49	0.46	0.62	0.50	0.48	0.53	0.46	0.45	0.53	0.53	0.50	0.61	6.31
<b>2011</b>	0.61	0.54	0.63	0.60	0.63	0.64	0.68	0.69	0.70	0.63	0.66	0.76	8.05
<b>2012</b>	0.68	0.76	0.86	0.86	0.78	0.67	0.67	0.67	0.67	0.69	0.69	0.77	9.13
<b>2013</b>	0.65	0.56	0.61	0.59	0.61	0.63	0.53	0.68	0.51	0.54	0.52	0.66	7.34
<b>2014</b>	0.60	0.35	0.59	0.47	0.50	0.45	0.48	0.43	0.46	0.48	0.48	0.56	6.02
<b>2015</b>	0.49	0.39	0.41	0.50	0.47	0.45	0.49	0.50	0.46	0.44	0.51	0.67	5.93
<b>2016</b>	0.49	0.57	0.60	0.49	0.58	0.51	0.51	0.50	0.39	0.42	0.42	0.37	6.03
<b>2017</b>	0.55	0.69	0.59	0.45	0.57	0.42	0.29	0.08	0.32	0.67	0.47	0.57	5.82
<b>2018</b>	0.60	0.48	0.80	0.74	0.49	0.58	0.57	0.51	1.35	0.54	0.57	0.61	8.12
<b>2019</b>	0.67	0.58	0.82	0.56	0.64	0.62	0.65	0.70	0.69	0.57	0.63	0.47	7.86
<b>2020</b>	0.65	0.70	0.33	0.23	0.39								2.32

Past performance is not a guarantee or indicator of future results. Inherent in any investment is the risk of loss.

2. Returns are net of fees payable to underlying strategy.

QTD = Quarter to Date; YTD = Year to Date; SI = Since Inception

### RISK DIVERSIFICATION

Index	CORRELATION	
	5 Years	SI
FTSE Canada Universe	0.09	0.09
S&P/TSX	0.14	0.28
S&P 500	0.03	0.18
MSCI World	0.06	0.20

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### RISK/RETURN ANALYSIS

Net annualized return since inception (%)	6.51
Annualized standard deviation (%)	0.75
Annualized Sharpe ratio (1.04%)	7.32
Best monthly return (%)	1.35
Worst monthly return (%)	-1.21
Percentage of months with positive performance	98.63
Average return when market is up (%) <sup>3</sup>	0.55
Average return when market is down (%) <sup>3</sup>	0.49
Worst drawdown (%)	-1.21

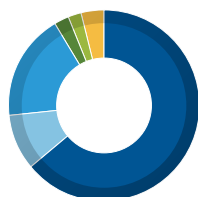
Since inception

3. Market based on FTSE Canada Universe

### CURRENT BREAKDOWN (%)

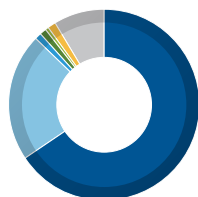
As at April 30, 2020

#### By Asset Class



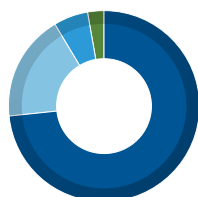
Residential Real Estate	64.1
Commercial Real Estate	9.4
Corporate Lending	18.0
Marketplace Lending	2.6
Asset-Based Lending	2.2
Short-Term	3.7

#### By Seniority



1st Lien	65.6
2nd Lien	21.7
Whole Loan	1.1
Unsecured	1.1
Convertibles	0.6
Equity	1.3
Cash	8.5

#### By Country



Canada	73.4
United States	18.0
Asia	6.0
Latin America	2.5

### QUARTERLY COMMENTARY

As at March 31, 2020

The impact of the coronavirus across the globe is still difficult to ascertain and the economic fallout has resulted in extreme financial market volatility. The stock market suffered one of the worst monthly drops ever and the bond market needed the attention of the Federal Reserve to function.

The economic fallout we are experiencing was unexpected and is occurring as a result of unforeseen precautionary health measures. The Diversified Lending strategy has been progressively positioned for a cycle that was getting longer in the tooth. The social distancing measures will have a negative impact on certain borrowers in the strategy; interest payments may be postponed and depending on the length of the measures, more workouts than expected may occur. The strategy does not have significant exposure to energy, retail or consumer loans which should be the sectors most negatively affected by the current situation.

Our outlook is that a medical solution will be found over the next 18 months with a high degree of certainty. The strategy's performance will be influenced by the duration of the social distancing measures as the ultimate repayment of the loans depends on a return of economic activity. The most likely scenario is that economic growth recovers at some point during the second half of 2020 and the strategy continues to produce attractive monthly returns.

### PORTFOLIO MANAGEMENT TEAM

Team member	Title and experience	
François Bourdon, FICA, FSA, CFA, PRM	Global Chief Investment Officer	25 years
Marc-André Desjardins, EMBA	Deputy CIO Private Alternatives and Head of Fund Investments Private Debt	20 years
Majlinda Kamberi, CAIA	Head of Fund Research and Due Diligence, Private Debt	14 years

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