Market Update

Fiera Capital Global Asset Allocation

APRIL 2021

The macroeconomic outlook continued to gather momentum heading into the second quarter as the global vaccine campaign accelerated, while plans for large-scale fiscal spending in the US also emboldened calls for a rapid recovery through 2021. Investors cheered President Biden's ambitious multi-trillion dollar infrastructure proposal (the American Jobs Plan) that added to the stronger growth narrative, which when combined with the Federal Reserve's dovish forward guidance has stoked fears of runaway inflation. However, while indeed acknowledging this upbeat trajectory for growth, the Federal Reserve stayed the course and emphasized that a full recovery is a long ways off, citing lingering and persistent labour market slack as grounds for a highly-accommodative monetary policy stance.

FINANCIAL MARKET DASHBOARD

	MAR. 31, 2021	MARCH	YTD	1 YEAR
EQUITY MARKETS		% PRICE CHANGE (LC)		
S&P 500	3973	4.24%	5.77%	53.71%
S&P/TSX	18701	3.55%	7.27%	39.78%
MSCI EAFE	2208	1.82%	2.83%	41.60%
MSCI EM	1316	-1.70%	1.95%	55.13%
FIXED INCOME (%)		BASIS POINT CHANGE		
U.S. 10 Year Treasury Yield	1.74	33.6	82.7	107.1
U.S. 2 Year Treasury Yield	0.16	3.3	3.9	-8.5
U.S. Corp BBB Spread	1.10	0.0	1.0	-167.0
U.S. Corp High Yield Spread	2.49	-36.0	-78.0	-630.0
CURRENCIES		% PRICE CHANGE		
CAD/USD	0.80	1.41%	1.38%	11.98%
EUR/USD	1.17	-2.86%	-3.98%	6.34%
USD/JPY	110.72	3.89%	7.23%	2.96%
COMMODITIES		% PRICE CHANGE		
WTI Oil (USD/bbl)	59.16	-3.80%	21.93%	188.87%
Copper (USD/pound)	4.00	-2.42%	13.54%	79.33%
Gold (USD/oz)	1713.80	-0.87%	-9.57%	8.24%

Global equity markets ended the first quarter on solid ground. The MSCI All Country World gained 2.5% in March, led by the S&P 500 (4.2%) and the S&P/TSX (3.6%). International stocks also eked out a modest (1.8%) gain. By contrast, the MSCI emerging market benchmark shed 1.7% as a resurgence in Covid outbreaks and fears over rising treasury yields thwarted developing nation assets.

Renewed optimism on the fortunes for the global economy weighed on fixed income markets in March. The Canadian Universe bond index slipped 1.5%, while the US aggregate bond index was down 1.3%. Yield curves steepened in a bond-bearish fashion. While the short-end remained pinned lower by the dovish forward guidance from major central banks, longer-dated bond yields pushed higher as the combination of massive fiscal stimulus and highly-accommodative monetary policy stoked inflation expectations. Of note, the Federal Reserve upgraded both its growth and inflation forecasts at the March gathering, but left their projections for policy rates unchanged as policymakers remain keen to let inflation run hot after several years of undershooting their goals.

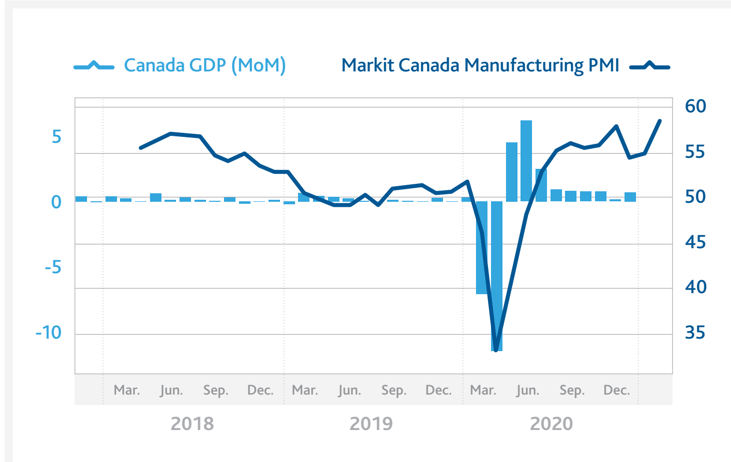
The tug-of-war between the rampant virus and the global immunisation effort intensified in March and currency markets took notice. The greenback advanced and capped its first quarterly gain in a year, thanks to the relatively boisterous US growth dynamic versus its global peers. Indeed, the US has been faster out of the gate in vaccinating its population and reopening its economy, while the fiscal response has also been more expansionary. Meanwhile, the euro slumped for a third straight month as rising infections and a slower vaccination rollout prompted officials to extend lockdowns, which dampened near-term growth prospects in Europe. Encouragingly, the Canadian dollar maintained its resilience and capped a monthly gain even in the wake of a broadly stronger US dollar and secured its position at the top of the global leaderboard for 2021.

The commodity complex pushed broadly lower in March as underlying strength in the dollar cut into prices. Crude oil encountered some turbulence and slid back towards the $60-mark as investors contemplated some worrisome virus trends in Europe that brought into question the outlook for near-term energy consumption. Copper's powerful surge also faltered somewhat and the red metal snapped a record run of eleven straight monthly gains in March, while gold edged lower as the sharp rise in bond yields curbed the appeal of the non-interest bearing metal.

Economic Overview

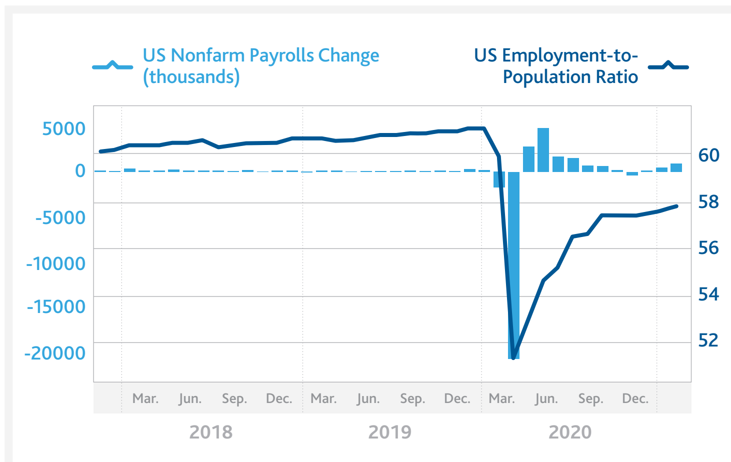
CANADA

The Canadian economy has proven surprisingly resilient in the face of the latest Covid-wave. Gross domestic product surpassed expectations and rose 0.7% in January, while StatsCan is flagging another gain for February – setting the stage for a strong first quarter performance. In response, the Bank of Canada has hinted at the possibility of a taper to its asset purchase program as early as this month. Regrettably, the emergence of new Covid-variants are pushing up caseloads across the country and provinces are once again under pressure to tighten restrictions. However, the hope is that a ramped-up dispersal of vaccines in the coming months will ease the burden of the pandemic and allow for a safer reopening, while Canada's reasonably healthy performance in the midst of these subsequent waves has added to optimism that while the recovery may slow, it will nonetheless remain intact.



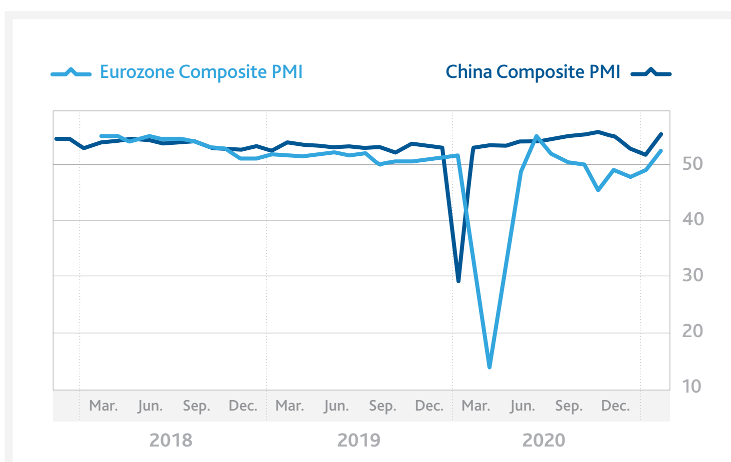
USA

The US economy is firing on all cylinders, with a fast-paced vaccine rollout and large-scale fiscal spending paving way for a historic recovery in 2021. The closely-monitored ISM surveys reinforced this powerful narrative, with both the factory and services gauges soaring to multi-decade highs in March. Meanwhile, the economy added a much stronger-than-expected 916k jobs in March as restrictions were lifted across much across the country. The breadth of the payroll gain was widespread across the economy, with a stunning 280k pop in the high-touch leisure sector. Despite this upbeat assessment, the Federal Reserve has warned that the recovery is far from complete. Even after the latest stretch of hiring, payrolls are still 8.4 million below pre-pandemic levels, while the employment-to-population ratio (a measure of labor slack) remains well-below year-ago levels, providing policymakers ample scope to maintain their highly-accommodative stance.



GLOBAL

The PMI surveys for March revealed that the Eurozone economy may be turning a corner, with the Composite gauge of activity jumping back into expansion-mode for the first time in six months. However, the details underscored the bifurcated nature of the recovery. The factory sector maintained some notable momentum, with the manufacturing PMI soaring to an all-time high. And while the services PMI improved sequentially to a seven-month high, it nonetheless remained in contraction-terrain given the burden of extended lockdowns to tackle the latest outbreak. While the near-term European outlook remains relatively subdued given its woeful lag in the vaccination effort, a catch-up phase should inevitably follow this summer. Meanwhile, China's economy regained some ground after seasonal weakness and lingering pandemic-effects weighed at the beginning of 2021. Both the factory and services PMI's reaccelerated in March, reflecting buoyant domestic and foreign demand.



Economic Scenarios

Main Scenario | Rapid Recovery

Probability **55%**

Our base case scenario calls for a swift return to normality in 2021. Several safe and effective vaccines prove successful in quashing the pandemic and are deployed in a timely manner, which allows for an accelerated reopening of larger parts of the global economy and a faster normalization in both consumer and business spending behaviours in the latter stages of the first half of 2021. As the wider population gets inoculated, both isolationism and social distancing measures abate and sentiment improves drastically in accordance. As a result, the animal spirits revive themselves and economic activity snaps back dramatically at a rapid pace during the first half of 2021 as pent-up demand is unleashed, particularly given that savings remain extraordinarily elevated across the globe. Meanwhile, the lagged impacts from the flood of monetary and fiscal stimulus already in place inevitably amplifies the rebound through 2021 and beyond. As a new cycle of robust and above-trend growth ensues and closes the output gap by year-end, newly announced stimulus measures are unlikely (and unnecessary) in this optimistic scenario.

Scenario 2 | Subdued Recovery

Probability **30%**

The emergence of multiple viable vaccines brings about a certain degree of confidence that the end of the pandemic is in sight, which greatly reduces the likelihood and the necessity for draconian lockdown measures beyond mid-2021. However, periodic setbacks on the road to immunity (namely logistical issues) push the timeline to widespread inoculation further out into the back half of the year, which ultimately restrains the magnitude of the recovery in the first half of 2021. As it takes longer to gain control over the propagation of the virus, social distancing behaviours linger-on and health fears prompt some reluctance from consumers and businesses to re-engage fully. Meanwhile, the global economy takes longer to reopen fully, while some lighter, localized confinement measures remain in place and dampen the growth trajectory in the first part of the year. As the economy takes longer to return to pre-COVID levels under this subdued recovery scenario, monetary and fiscal stimulus is almost certain to remain extremely accommodative over the 12-18 month time horizon.

Scenario 3 | Economic Relapse

Probability **15%**

The unrelenting spread and mutation of the coronavirus ultimately overwhelms vaccination efforts and engulfs the medical system, while unforeseen vaccine-related setbacks and questions about their efficacy derails the nascent recovery through 2021. Failure to contain the rampant outbreak morphs into the return of strict countermeasures and sends the global economy back into a full-blown recession. Specifically, virus mitigation efforts from governments that include quarantines, work stoppages, and restricted mobility fuels a steep contraction in global economic activity, with fearful consumers and businesses remaining isolated and reluctant to spend. These factors become self-fulfilling in that the loss of business revenues and potential for corporate bankruptcies results in job losses that further dampen spending intensions and economic activity in the coming year. However, the fragile state of the economy and stubbornly-elevated unemployment ensures that both monetary and fiscal policy remain expansionary, which helps to alleviate any permanent damage in this calamitous scenario.

Forecasts for the Next 12 Months

SCENARIOS	MARCH 31, 2021	RAPID RECOVERY	SUBDUED RECOVERY	ECONOMIC RELAPSE
PROBABILITY		55%	30%	15%
GDP GROWTH 2021				
Global	5.60%	6.00%	4.50%	-4.50%
Canada	5.40%	6.00%	3.00%	-5.00%
U.S.	5.70%	7.00%	3.50%	-3.50%
INFLATION (HEADLINE Y/Y)				
Canada	1.10%	2.00%	1.50%	0.50%
U.S.	1.70%	2.00%	1.50%	0.50%
SHORT-TERM RATES				
Bank of Canada	0.25%	0.25%	0.25%	0.25%
Federal Reserve	0.25%	0.25%	0.25%	0.25%
10-YEAR RATES				
Canada Government	1.56%	2.00%	1.30%	0.50%
U.S. Government	1.74%	2.25%	1.40%	0.60%
PROFIT ESTIMATES (12 MONTHS FORWARD)				
Canada	1088	1100	1050	850
U.S.	181	185	165	150
EAFE	140	145	120	90
EM	87	90	80	55
P/E (FORWARD 12 MONTHS)				
Canada	17.2X	19.0X	17.5X	15.0X
U.S.	22.0X	22.5X	22.5X	16.0X
EAFE	15.8X	17.5X	18.0X	15.0X
EM	15.2X	17.5X	17.5X	13.0X
CURRENCIES				
CAD/USD	0.80	0.82	0.77	0.65
EUR/USD	1.17	1.25	1.15	1.00
USD/JPY	110.72	100.00	105.00	110.00
COMMODITIES				
Oil (WTI, USD/barrel)	59.16	70.00	50.00	20.00
Gold (USD/oz)	1713.80	1800.00	1900.00	2100.00

Discussions regarding potential future events and their impact on the markets are based solely on historical information and Fiera Capital's estimates and/or opinions, and are provided for illustrative purposes only. Expected returns are hypothetical estimates of long-term returns of economic asset classes based on statistical models and do not represent the returns of an actual investment. Actual returns will vary. Models have limitations and may not be relied upon to make predictions of future performance of any account.

Portfolio Strategy

Matrix of Expected Returns

SCENARIOS	RAPID RECOVERY	SUBDUED RECOVERY	ECONOMIC RELAPSE
PROBABILITY	**55%**	**30%**	**15%**
TRADITIONAL INCOME			
Money Market	0.3%	0.3%	0.3%
Canadian Bonds	-0.5%	2.2%	7.0%
High Yield	5.5%	4.0%	-7.0%
Preferred Shares	5.5%	4.0%	-10.0%
NON-TRADITIONAL INCOME			
Multi-Private Credit	8.0%	7.0%	5.0%
Multi-Strategy Income	5.0%	4.0%	0.0%
Diversified Real Estate	8.0%	7.0%	4.0%
Infrastructure	7.5%	6.5%	5.0%
Agriculture	8.5%	7.5%	6.0%
TRADITIONAL CAPITAL APPRECIATION			
Canadian Equity Large Cap	11.8%	-1.7%	-31.8%
Canadian Equity Small Cap	15.0%	-7.5%	-35.0%
U.S. Equity Large Cap	1.7%	-3.4%	-26.0%
U.S. Equity Small and Mid Cap	6.0%	-8.0%	-30.0%
International Equity	11.6%	1.1%	-25.1%
Global Small Cap	7.0%	-3.0%	-30.0%
China and Emerging Market Equity	16.2%	10.0%	-33.5%
NON-TRADITIONAL CAPITAL APPRECIATION			
Private Equity and Placements	15.0%	12.0%	5.0%
Liquid Alternatives	7.0%	5.0%	0.0%

Current Strategy[1]

TRADITIONAL AND NON-TRADITIONAL PORTFOLIOS

	MINIMUM	BENCHMARK	MAXIMUM	STRATEGY	+/-
TRADITIONAL INCOME	**0.0%**	**17.5%**	**40.0%**	**2.5%**	**-15.0%**
Money Market	0.0%	0.0%	20.0%	0.0%	0.0%
Investment Grade Bonds	0.0%	15.0%	40.0%	0.0%	-15.0%
High Yield and Preferred Shares	0.0%	2.5%	10.0%	2.5%	0.0%
NON-TRADITIONAL INCOME	**0.0%**	**30.0%**	**50.0%**	**38.0%**	**8.0%**
Multi-Private Credit	0.0%	12.0%	25.0%		
Multi-Strategy Income	0.0%	0.0%	10.0%		
Diversified Real Estate	0.0%	6.0%	15.0%		
Infrastructure	0.0%	6.0%	15.0%		
Agriculture	0.0%	6.0%	15.0%		
TRADITIONAL CAPITAL APPRECIATION	**10.0%**	**37.5%**	**60.0%**	**43.0%**	**5.5%**
Canadian Equity Large Cap	5.0%	10.0%	25.0%	18.0%	8.0%
Canadian Equity Small Cap	0.0%	2.5%	10.0%	5.0%	2.5%
U.S. Equity Large Cap	0.0%	7.5%	20.0%	2.5%	-5.0%
U.S. Equity Small and Mid Cap	0.0%	0.0%	10.0%	0.0%	0.0%
International Equity	0.0%	7.5%	20.0%	7.5%	0.0%
Global Small Cap	0.0%	2.5%	10.0%	2.5%	0.0%
China and Emerging Market Equity	0.0%	7.5%	20.0%	7.5%	0.0%
NON-TRADITIONAL CAPITAL APPRECIATION	**0.0%**	**15.0%**	**40.0%**	**16.5%**	**1.5%**
Private Equity and Placements	0.0%	10.0%	25.0%		
Liquid Alternatives	0.0%	5.0%	15.0%		

1 Based on a 100 basis point value added objective. The benchmark employed here is based on a model portfolio and for illustrative purposes only. Individual client benchmarks are employed in the management of their respective portfolios.

Current Strategy[1]

TRADITIONAL PORTFOLIOS

	MINIMUM	BENCHMARK	MAXIMUM	CURRENT	+/-
TRADITIONAL INCOME	**20%**	**40%**	**60%**	**30%**	**-10%**
Money Market	0%	5%	25%	0%	-5%
Canadian Bonds	5%	35%	55%	30%	-5%
TRADITIONAL CAPITAL APPRECIATION	**40%**	**60%**	**80%**	**70%**	**10%**
Canadian Equity Large Cap	5%	25%	50%	40%	15%
U.S. Equity Large Cap	0%	15%	30%	10%	-5%
International Equity	0%	15%	30%	15%	0%
China and Emerging Market Equity	0%	5%	15%	5%	0%

1 Based on a 100 basis point value added objective. The benchmark employed here is based on a model portfolio and for illustrative purposes only. Individual client benchmarks are employed in the management of their respective portfolios.

Contact Us

North America

MONTREAL **Fiera Capital Corporation** 1981 McGill College Avenue Suite 1500 Montreal, Quebec H3A 0H5 T 1 800 361-3499	TORONTO **Fiera Capital Corporation** 200 Bay Street, Suite 3800, South Tower Toronto, Ontario, Canada M5J 2J1 T 1 800 994-9002	CALGARY **Fiera Capital Corporation** 607 8th Avenue SW Suite 300 Calgary, Alberta T2P 0A7 T 403 699-9000	info@fieracapital.com fiera.com
NEW YORK **Fiera Capital Inc.** 375 Park Avenue 8th Floor New York, New York 10152 T 212 300-1600	BOSTON **Fiera Capital Inc.** One Lewis Wharf 3rd Floor Boston, Massachusetts 02110 T 857 264-4900	DAYTON **Fiera Capital Inc.** 10050 Innovation Drive Suite 120 Dayton, Ohio 45342 T 937 847-9100	

Europe

LONDON **Fiera Capital (UK) Limited** Queensberry House, 3 Old Burlington Street, 3rd Floor, London, United Kingdom W1S 3AE T +44 (0) 207 409 5500	FRANKFURT **Fiera Capital (UK) Limited** Walther-von-Cronberg-Platz 13 Frankfurt, Germany 60594 T +49 69 9202 0750

Asia

HONG KONG **Fiera Capital (Asia) Hong Kong Limited** Suite 3205, No. 9 Queen's Road Central, Hong Kong T 852-3713-4800	SINGAPORE **Fiera Capital (Asia) Singapore Pte. Ltd.** 6 Temasek Boulevard #38-03 Suntec Tower 4 Singapore 038986