

Fiera Capital Global Asset Allocation

MONTHLY UPDATE: SEPTEMBER 2021



Jean-Guy Desjardins

Chairman of the Board &
Co-Lead Global Asset Allocation



Candice Bangsund, CFA

Vice President &
Co-Lead Global Asset Allocation

Global equity markets churned higher in August, even as investors contemplated the fast-spreading delta variant, signs of cooling global growth, accelerating inflation, and the path for monetary policy. Investors welcomed some dovish-leaning remarks from Federal Reserve Chair Powell at the Jackson Hole Symposium late in the month, where he erred on the side of caution and patience. While policymakers are indeed gearing-up to scale-back the massive asset purchase program, the precise timing will hinge on the proliferation of the virus and its economic impacts. Chair Powell went even further and reiterated that while tapering could begin this year, policymakers won't be in a hurry to begin raising interest rates thereafter.

FINANCIAL MARKET DASHBOARD				
	AUGUST 31, 2021	AUGUST	YTD	1 YEAR
EQUITY MARKETS		% PRICE CHANGE (LC)		
S&P 500	4523	2.90%	20.41%	29.21%
S&P/TSX	20583	1.45%	18.07%	24.64%
MSCI EAFE	2356	1.52%	9.73%	23.37%
MSCI EM	1309	2.42%	1.35%	18.81%
FIXED INCOME (%)		BASIS POINT CHANGE		
U.S. 10 Year Treasury Yield	1.31	8.7	39.6	60.4
U.S. 2 Year Treasury Yield	0.21	2.5	8.8	7.8
U.S. Corp BBB Spread	1.09	1.0	0.0	-36.0
U.S. Corp High Yield Spread	2.54	-12.0	-73.0	-209.0
CURRENCIES		% PRICE CHANGE		
CAD/USD	0.79	-1.15%	0.94%	3.43%
EUR/USD	1.18	-0.51%	-3.33%	-1.06%
USD/JPY	110.02	0.27%	6.56%	3.88%
COMMODITIES		% PRICE CHANGE		
WTI Oil (USD/bbl)	68.50	-7.37%	41.18%	60.76%
Copper (USD/pound)	4.36	-2.73%	23.90%	43.37%
Gold (USD/oz)	1815.80	0.18%	-4.18%	-7.85%

Global equity markets were broadly higher in August, with the MSCI All Country World capping its seventh straight monthly gain. The S&P 500 led the global charge even despite a spike in COVID cases in some U.S. states. All sectors ended the month higher, with the exception of the energy space that lagged given the pullback in crude prices in August. The S&P/TSX also advanced thanks to a profound rebound in corporate earnings, but underperformed the global benchmark given its relatively higher energy exposure. Looking abroad, international developed stocks also thrived, while emerging market equities staged a rebound amid growing wagers that developing-market stocks will be well-positioned to benefit from the global reopening – though uncertainty around the Chinese regulatory environment and peak Chinese growth have clouded the outlook.

Fixed income markets posted negative results in August. Yield curves steepened, with longer-term bond yields rising by more than their shorter-term counterpart as Chair Powell's measured comments underscored that the central bank won't be quick to react to the recent spike in inflation. The U.S. 10 year treasury yield rose by 9 basis points to 1.31%, while the 2 year treasury yield rose by a more modest 3 basis points to 0.21%.

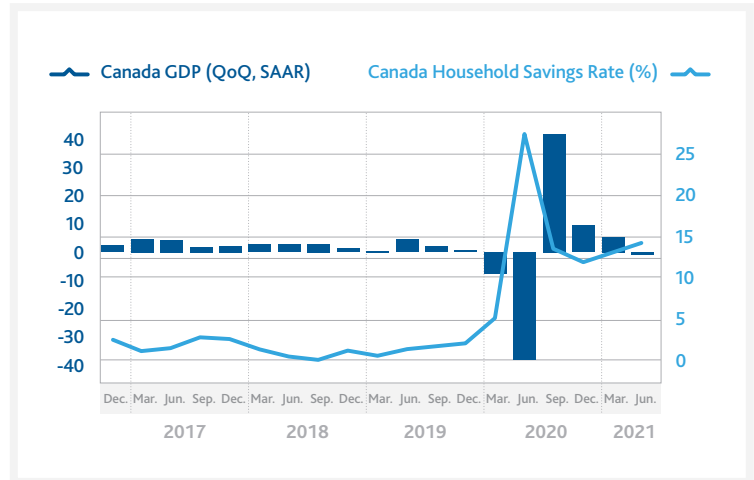
The US dollar was striving for direction and traded between gains and losses throughout the month. While initially edging higher as renewed risks to the outlook prompted investors to bid-up the safe haven currency, the dollar reversed course after Chair Powell pointed to a "dovish taper" in his Jackson Hole address. Still, the US dollar (DXY) ended the month marginally higher. By contrast, the Canadian dollar retreated on the back of the monthly slide in crude prices, while the surprise second quarter contraction in the Canadian economy also weighed on the loonie.

In commodity markets, crude oil swung wildly as the delta outbreak dampened the outlook for fuel demand. Oil declined over 7% during the month in its biggest monthly loss since October 2020. In early-September, OPEC and its allies ratified their plan for gradual production increases, with the cartel wagering that the market can absorb the extra flows as demand recovers and stockpiles get drawn down. Copper slipped as economic momentum in China eased, while gold held firm after Chair Powell signaled a cautious and pragmatic approach to the withdrawal of stimulus, while also reiterating that rate hikes are still a long ways off.

Economic Overview

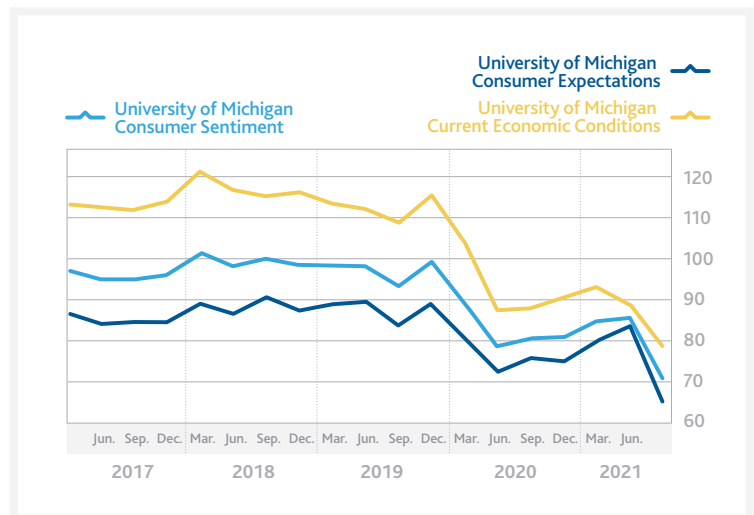
CANADA

The Canadian economy hit a soft patch in the second quarter. Real GDP declined -1.1% annualized, well-below expectations that called for a 2.5% expansion. This marked the first quarterly decline since the pandemic struck last year. Weakness was driven by a substantial drop in residential investment and exports. Residential investment was weighed down by lower home resale activity, while exports were hobbled by supply chain disruptions and specifically, the semiconductor shortage that has curbed auto production. Meanwhile, rising COVID infections forced several regions to lock down and tighten public health measures in April and May, which weighed on consumption. Finally, disposable incomes accelerated and outpaced the gain in consumption, which saw the savings rate rise. Taken together, the second quarter setback and a downbeat projection for July are likely a temporary blip in an otherwise healthy recovery. Weakness was explained by some moderation in the housing market and supply bottlenecks that should fade over time, while the consumer has plenty of pent-up savings that are ripe for spending, with household consumption set to drive the economy in the months ahead.



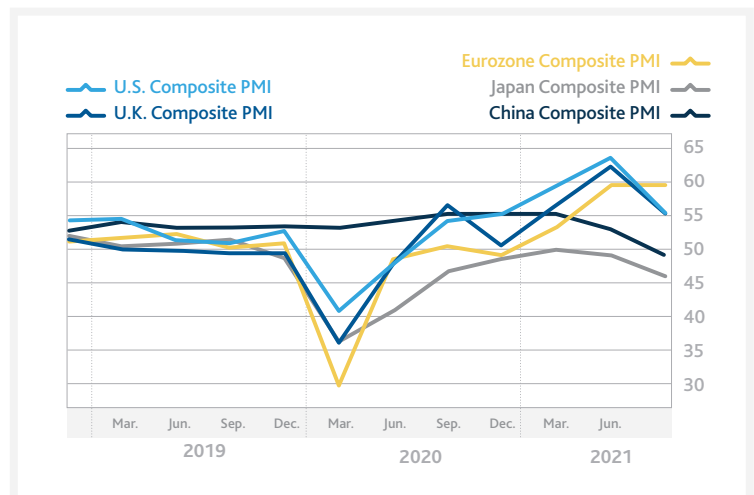
USA

The U.S. consumption backdrop is showing some signs of vulnerability in the wake of the rampant spread of the Delta variant that has stifled confidence and threatened to undermine spending. While stringent countermeasures similar to those imposed in the winter are unlikely, weary consumers may still grow reluctant to spend. Indeed, the University of Michigan consumer sentiment gauge tumbled to a nine-year low in August. Weakness was widespread, with indicators of personal finances, economic conditions, unemployment, and buying conditions all deteriorating. Of note, the combination of economic angst and rising prices drove down respondents' intentions of buying large household durables, vehicles, and houses. Furthermore, high-frequency indicators such as credit and debit card data, restaurant bookings, airline travel, and hotel occupancy all showed a loss of momentum in August. With the labour market improving rapidly and the stock market at a record high, dwindling confidence reinforces that the latest surge in virus cases is weighing on sentiment. At the same time, the combination of fading fiscal stimulus and accelerating inflation could dampen consumer spending prospects over the coming months.



GLOBAL

The global economy lost some momentum in August, with delta fears, accelerating inflation, and ongoing supply-chain blockages bringing into question the strength and durability of the recovery. According to the purchasing manager indices (PMI), business activity slowed in the U.S. and U.K., with the services sector assuming the brunt of the weakness as worrisome virus dynamics weighed on consumer activity. As witnessed in both the U.S. and the U.K., the pandemic can restrain activity even in the absence of lockdowns. Meanwhile, economic activity in the Eurozone held fairly firm as the bloc continued on the road to recovery as restrictions were progressively eased, though recent surveys of economic confidence revealed some signs of trepidation as infection rates reaccelerated. Activity in Japan has stagnated given record COVID cases and extended emergency measures, while China's recovery leveled-off and momentum has faltered in the wake of regulatory crackdowns and the government's strict response to outbreaks that have curbed domestic demand. Taken together, upside risks to growth appear to be limited at the same time that downside risks have re-emerged, which warrants some caution in the near-term.



Economic Scenarios



Main Scenario | Reflationary Recovery

Probability **50%**

Our base case scenario calls for the global economic recovery to extend at an above-trend pace through 2021 and 2022, thanks to the successful rollout of several safe and effective vaccines that bring forward the return to economic normality. As the wider population gets inoculated, both isolationism and social distancing measures abate and sentiment improves drastically. Restrictions are relaxed and the reopening progresses across the larger economy. In response, economic activity snaps back dramatically as pent-up demand is unleashed, particularly given that savings remain extraordinarily elevated across the globe, which amplifies the nascent recovery. Meanwhile, the post-pandemic surge in inflationary pressures ultimately proves transitory in nature, allowing policymakers to look-through the eye-popping statistics and extend their highly-accommodative monetary policies. Inflation expectations remain well-anchored given that much of the overshoot comes from categories directly affected by the reopening and supply-chain disruptions that eventually dissipate, while labour market shortages prove fleeting as participation stages a recovery and tames any notable upside pressure on wages. This allows policymakers to maintain a generally stimulative policy stance over the coming year. From a financial market perspective, the equity market rally lingers-on, with robust corporate earnings growth driving stock markets higher. Long-term bond yields also rise, though not to destabilizing levels that threaten either the recovery or the trajectory for equity prices.

Scenario 2 | Stagflation

Probability **40%**

A growing risk to our base case scenario is that the world economy turns stagflationary in nature, a toxic combination of slowing global growth and accelerating prices. The “Stagflation” scenario assumes that inflationary pressures shift persistently higher and de-anchors inflation expectations, with global economic prospects subsiding amid the fallout. On the inflation front, the near-term spike in pricing pressures proves more enduring than expected, and lasts long enough to become embedded in inflation expectations. Supply-chain dislocations take longer to correct, while shortages and subdued participation in the labour force become more long-lasting given lingering health-related fears of returning to work, the structural shift in demographics (ageing populations), or skills mismatches in the post-pandemic reality. In turn, global growth moderates to well-below potential levels. Rising input costs and the persistent shortage workers sparks a wage price spiral that cuts into the profitability of corporations. Meanwhile, consumers struggle to maintain real incomes as soaring prices erode their wages and dampens household spending. This comes at the same inopportune time that the unrelenting spread of the Covid-19 variants undermines efforts to rev-up factories and business activity, while weary consumers remain reluctant to spend as virus-induced angst takes hold. A stagnation in global growth occurs concurrently with an acceleration in inflation, creating a tumultuous financial market landscape whereby both equities and bonds experience declines amid a marked deterioration in the macroeconomic landscape.

Scenario 3 | Economic Relapse

Probability **10%**

Another wildcard continues to be the emergence of highly-transmissible Covid-19 variants that have become the dominant strain across much of the globe. Failure to keep the pandemic under control risks a more protracted period of restrictions that delays the return to normal and jeopardizes the imminent recovery. At the same time, vaccine hesitancy in some parts of the world has created a hurdle to reaching herd immunity and fully eradicating Covid-19. As it takes longer to gain control over the propagation of the virus, mitigation efforts from governments and 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 confinement measures are reinstated and fuel a steep contraction in growth. However, the silver lining is that the fragile state of the economy and stubbornly-elevated unemployment ensures that monetary and fiscal policy remain expansionary, which helps to alleviate any permanent damage in this calamitous risk-off scenario.

Forecasts for the Next 12-18 Months



SCENARIOS	AUGUST 31, 2021	REFLATIONARY RECOVERY	STAGFLATION	ECONOMIC RELAPSE
PROBABILITY		50%	40%	10%
GDP GROWTH 2021				
Global	6.00%	6.00%	5.00%	-4.50%
Canada	6.20%	6.00%	5.00%	-5.00%
U.S.	6.20%	7.00%	6.00%	-3.50%
GDP GROWTH 2022				
Global	4.50%	5.00%	3.50%	-4.50%
Canada	4.20%	3.50%	1.50%	-5.00%
U.S.	4.30%	4.50%	1.50%	-3.50%
INFLATION (HEADLINE Y/Y)				
Canada	3.70%	4.00%	3.50%	0.50%
U.S.	5.40%	4.00%	3.50%	0.50%
SHORT-TERM RATES				
Bank of Canada	0.25%	0.75%	0.25%	0.25%
Federal Reserve	0.25%	0.75%	0.25%	0.25%
10-YEAR RATES				
Canada Government	1.22%	3.00%	2.00%	0.50%
U.S. Government	1.31%	3.00%	2.00%	0.60%
PROFIT ESTIMATES (12 MONTHS FORWARD)				
Canada	1249	1250	1150	850
U.S.	212	215	200	150
EAFE	151	155	145	90
EM	96	100	90	55
P/E (FORWARD 12 MONTHS)				
Canada	16.5X	17.5X	16.5X	15.0X
U.S.	21.4X	21.0X	20.0X	16.0X
EAFE	15.6X	16.0X	15.0X	14.0X
EM	13.6X	15.0X	14.0X	12.0X
CURRENCIES				
CAD/USD	0.79	0.90	0.85	0.65
EUR/USD	1.18	1.25	1.15	1.00
USD/JPY	110.02	100.00	105.00	110.00
COMMODITIES				
Oil (WTI, USD/barrel)	68.50	90.00	75.00	35.00
Gold (USD/oz)	1815.80	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	REFLATIONARY RECOVERY	STAGFLATION	ECONOMIC RELAPSE
PROBABILITY	50%	40%	10%
TRADITIONAL INCOME			
Money Market	0.5%	0.3%	0.3%
Canadian Bonds	-7.6%	-2.3%	5.7%
NON-TRADITIONAL INCOME			
Diversified Credit	8.0%	7.0%	5.0%
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	6.3%	-7.8%	-38.1%
U.S. Equity Large Cap	-12.1%	-17.5%	-35.3%
International Equity	-7.3%	-13.9%	-34.8%
Emerging Market Equity	1.0%	-10.2%	-38.5%
NON-TRADITIONAL CAPITAL APPRECIATION			
Private Equity	15.0%	12.0%	5.0%
Liquid Alternatives	7.0%	5.0%	0.0%

Current Strategy¹

TRADITIONAL AND NON-TRADITIONAL PORTFOLIOS

	MINIMUM	BENCHMARK	MAXIMUM	STRATEGY	+/-
Money Market	0%	5%	25%	10%	+5%
Canadian Bonds	5%	25%	45%	5%	-20%
Canadian Equity Large Cap	10%	20%	40%	35%	+15%
U.S. Equity Large Cap	0%	10%	20%	0%	-10%
International Equity	0%	10%	20%	5%	-5%
Emerging Market Equity	0%	5%	15%	5%	0%
Non-Traditional Income	5%	25%	45%	40%	+15%

TRADITIONAL PORTFOLIOS

	MINIMUM	BENCHMARK	MAXIMUM	STRATEGY	+/-
TRADITIONAL INCOME	20%	40%	60%	40%	0%
Money Market	0%	5%	25%	10%	+5%
Canadian Bonds	5%	35%	55%	30%	-5%
TRADITIONAL CAPITAL APPRECIATION	40%	60%	80%	60%	0%
Canadian Equity Large Cap	5%	25%	50%	40%	+15%
U.S. Equity Large Cap	0%	15%	30%	5%	-10%
International Equity	0%	15%	30%	10%	-5%
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 fieracom.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		Asia	
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 (Germany) GmbH Walther-von-Cronberg-Platz 13 Frankfurt, Germany 60594 T +49 69 9202 0750	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

IMPORTANT DISCLOSURES

Fiera Capital Corporation is a global asset management firm with affiliates in various jurisdictions (collectively, "Fiera Capital"). The information and opinions expressed herein relate to Fiera Capital's investment advisory services and investment funds and are provided for informational purposes only. It is subject to change and should not be relied upon as the basis of any investment or disposition decisions. While not exhaustive in nature, these Important Disclosures provide important information about Fiera Capital and its services and are intended to be read and understood in association with all materials available on Fiera Capital's websites.

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. Valuations and returns are computed and stated in Canadian dollars, unless otherwise noted. The information provided herein does not constitute investment advice and should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell any security or other financial instrument. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. There is no representation or warranty as to the current accuracy of, or responsibility for, decisions based on such information. Any opinions expressed herein reflect a judgment at the date of publication and are subject to change. Although statements of fact and data contained in this presentation have been obtained from, and are based upon, sources that Fiera Capital believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. No liability will be accepted for any direct, indirect, incidental or consequential loss or damage of any kind arising out of the use of all or any of this material.

Certain information contained in this material constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe" or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results, including actual performance, may differ materially from those reflected or contemplated in such forward-looking statements.

Views expressed regarding a particular company, security, industry or market sector should not be considered an indication of trading intent with respect to any funds or accounts managed by any Fiera Capital entity.

Each Fiera Capital entity provides investment advisory services or offers investment funds only in those jurisdictions where such entity and/or the relevant product is registered or authorized to provide such services pursuant to an applicable exemption from such registration. Thus, certain products, services, and information related thereto provided in the materials may not be available to residents of certain jurisdictions. Please consult the specific disclosures relating to the products or services in question for further information regarding the legal requirements (including any offering restrictions) applicable to your jurisdiction. For details on the particular registration of, or exemptions therefrom relied upon by, any Fiera Capital entity, please consult this [webpage](#).