Fiera Capital Global Asset Allocation

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FIERA CAPITAL

Jean-Guy Desjardins

Chairman of the Board &
Co-Lead Global Asset Allocation

Candice Bangsund, CFA

Vice President &
Co-Lead Global Asset Allocation

The second quarter got off to a roaring start. Investors welcomed the latest wave of robust economic and corporate earnings results, while an accelerating vaccine campaign stoked confidence in the global economic outlook. At the same time, central bank officials reiterated their explicit pledges for highly-accommodative monetary policy, even as the rapid recovery took hold. Regrettably, new global COVID-19 cases are running at the highest level since the start of the pandemic, with the latest flare-ups in India and Brazil. Still, optimism on the fortunes for the global economy outweighed these worrisome virus trends, with investors keenly focused on the highly-anticipated return to economic normality through 2021.

FINANCIAL MARKET DASHBOARD				
	APRIL 30, 2021	APRIL	YTD	1 YEAR
EQUITY MARKETS		% PRICE CHANGE (LC)		
S&P 500	4181	5.24%	11.32%	43.56%
S&P/TSX	19108	2.18%	9.61%	29.28%
MSCI EAFE	2269	2.73%	5.63%	36.85%
MSCI EM	1348	2.37%	4.36%	45.70%
FIXED INCOME (%)		BASIS POINT CHANGE		
U.S. 10 Year Treasury Yield	1.63	-11.5	71.3	98.7
U.S. 2 Year Treasury Yield	0.16	-0.2	3.7	-3.7
U.S. Corp BBB Spread	1.09	-1.0	0.0	-109.0
U.S. Corp High Yield Spread	2.36	-13.0	-91.0	-507.0
CURRENCIES		% PRICE CHANGE		
CAD/USD	0.81	2.21%	3.62%	13.47%
EUR/USD	1.20	2.47%	-1.60%	9.72%
USD/JPY	109.31	-1.27%	5.87%	1.99%
COMMODITIES		% PRICE CHANGE		
WTI Oil (USD/bbl)	63.58	7.47%	31.04%	237.47%
Copper (USD/pound)	4.48	12.10%	27.28%	90.27%
Gold (USD/oz)	1767.70	3.15%	-6.72%	4.34%

The global equity market rally lingered-on in April, with all major regions recording healthy gains. However, market internals revealed a shift in leadership as the reflationary rotation that commenced in November stalled-out. More generally, defensive and growth-oriented sectors outperformed their cyclical-value counterparts, owing to the decline in bond yields throughout the month. Technology and consumer discretionary sectors outperformed the broad market, while the energy sector lagged. As a result, the tech-heavy S&P 500 led the charge and outperformed its global peers during the month.

The selloff in fixed income markets took a breather in April as government bond yields edged lower. Federal Reserve Chair Powell pushed back on the prospect for policy tightening given persistent shortfalls in the labour market, while attributing near-term pricing pressures to transitory factors. Indeed, several officials have reinforced that its premature to contemplate reigning-in highly-accommodative policies at this time. In response, the U.S. 10 year treasury yield slid 11 basis points to 1.63% in April as investor expectations for a hawkish policy-turn were dialed back. Despite the move in treasuries, the Canadian 10 year government bond yield barely budged after the Bank of Canada became the first G7 central bank to begin scaling-back on stimulus and reduced its bond-buying program by CAD1 billion/week.

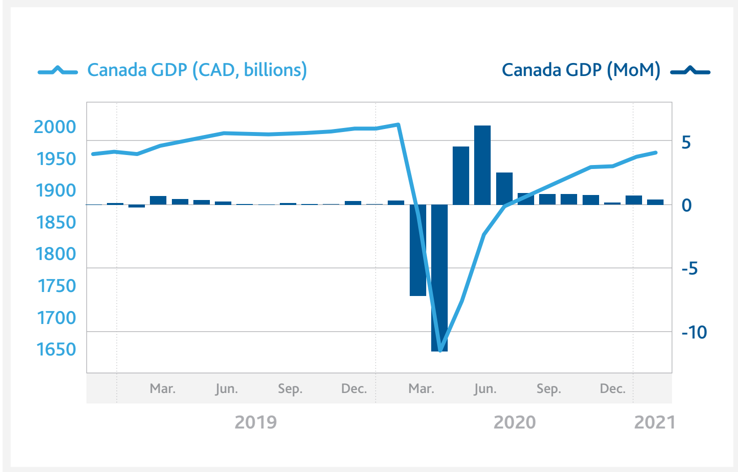
After a strong start to 2021, the US dollar reverted lower in April. By contrast, the euro strengthened as speculation for a nascent recovery emerged given the expedited distribution of vaccines across the European Union. Meanwhile, the Canadian dollar extended its spectacular run and soared to a three-year high, maintaining its status as global currency leader in 2021. While the sharp revival in commodity prices has been instrumental in guiding the loonie higher, some hawkish-leaning rhetoric from the Bank of Canada alongside a steadfast and still-dovish Federal Reserve saw interest rate differentials between Canada and the United States widen in Canada's favour.

In commodity markets, oil capped an impressive month as improved growth prospects spanning from the U.S. to China added to optimism that a rebound in global energy consumption is underway. Similarly, copper surged to a decade-high amid the brighter growth trajectory and increased spending prospects on green infrastructure. Of note, President Biden's infrastructure plan and continued demand from China are key tailwinds for industrial metal prices. Finally, gold posted its first monthly gain of 2021 as declining treasury yields and softer dollar conditions bolstered prices.

Economic Overview

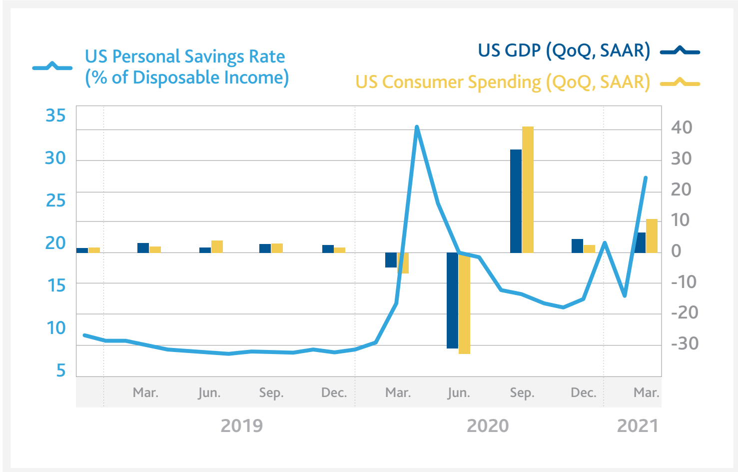
CANADA

The Canadian economy emerged from the second wave of the pandemic in healthy shape. Gross domestic product grew 0.4% in February, which left output only 2% below its pre-pandemic (February 2020) level. Meanwhile, Statistics Canada's estimate for March is also pointing to sizeable 0.9% monthly gain. That being said, downside risks loom large heading into the second quarter given the third wave of Covid infections and more stringent measures to stem the outbreak. However, Canada's economic resilience adds to optimism that the recovery will nonetheless remain intact, with both businesses and consumers proving adaptable to pandemic conditions. Moreover, the acceleration in the distribution of vaccines to Canadian citizens through April and May offers hope that better days are ahead. As a greater share of the population is vaccinated, provinces will be more inclined to relax public health guidelines, allowing for a sharp revitalization in activity this summer.



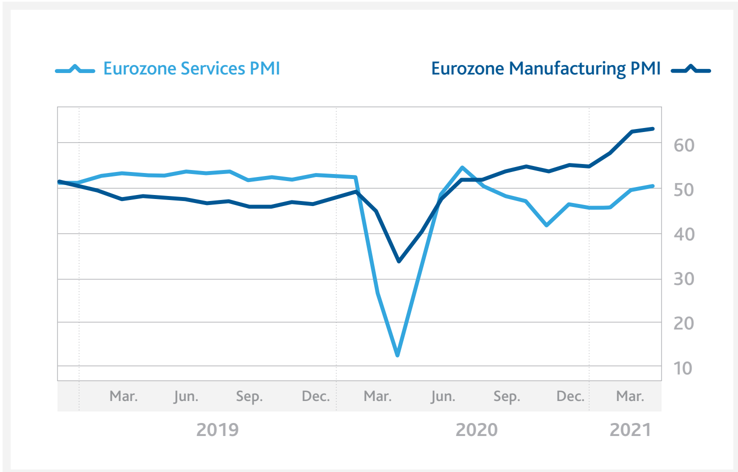
USA

The U.S. economy gained some notable momentum at the beginning of 2021 as two rounds of fiscal stimulus cheques and a fast-paced vaccine rollout propelled consumer spending. Gross domestic product expanded 6.4% on an annualized basis during the first quarter, powered by a 10.7% surge in personal spending as the reopening and vast amounts of pent-up savings provided American consumers with both the means and ability to unleash their windfall. The savings rate spiked to 27.6% in March, with the total amount of savings now almost $2.9 trillion above the pre-pandemic level. As the wider reopening progresses across the nation, consumers are expected to draw down this massive build-up in savings on purchases that were sidelined during the pandemic. While consumers have directed their spending towards durable goods over the last year, services-related spending should offer more upside as the pandemic's grip on the economy wanes.



INTERNATIONAL

Looking abroad, the European recovery is lagging the United States. The European economy contracted during the first quarter and capped a double-dip recession as the more infectious COVID-19 strain swept the region and forced governments to tighten restrictions. Euro-area GDP declined -0.6% (non-annualized) in the first quarter, with output remaining roughly 5.5% below pre-pandemic levels. The good news is that the European Union is gaining some speed on the vaccine front. As more of the population is inoculated and Covid infections recede, restrictions should gradually ease, making way for a sharp revival in activity by mid-year. Already, the forward-looking Purchasing Manager Indices (PMI) revealed that the Eurozone recovery was getting fully-underway in April, with the languishing services sector returning to growth terrain for the first time since last August, while the corresponding factory gauge hit record highs.



Economic Scenarios

Main Scenario | Rapid Recovery

Probability **60%**

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 **25%**

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	APRIL 30, 2021	RAPID RECOVERY	SUBDUED RECOVERY	ECONOMIC RELAPSE
PROBABILITY		**60%**	**25%**	**15%**
GDP GROWTH 2021				
Global	5.60%	7.00%	4.50%	-4.50%
Canada	5.40%	7.00%	3.00%	-5.00%
U.S.	5.70%	9.00%	3.50%	-3.50%
INFLATION (HEADLINE Y/Y)				
Canada	2.20%	3.00%	1.50%	0.50%
U.S.	2.60%	3.00%	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	1.55%	2.00%	1.30%	0.50%
U.S. Government	1.63%	2.25%	1.40%	0.60%
PROFIT ESTIMATES (12 MONTHS FORWARD)				
Canada	1100	1100	1050	850
U.S.	191	200	165	150
EAFE	137	145	120	90
EM	92	90	80	55
P/E (FORWARD 12 MONTHS)				
Canada	17.4X	19.0X	17.5X	15.0X
U.S.	21.9X	22.0X	22.5X	16.0X
EAFE	16.5X	17.5X	18.0X	15.0X
EM	14.7X	17.5X	17.5X	13.0X
CURRENCIES				
CAD/USD	0.81	0.85	0.77	0.65
EUR/USD	1.20	1.25	1.15	1.00
USD/JPY	109.31	100.00	105.00	110.00
COMMODITIES				
Oil (WTI, USD/barrel)	63.58	75.00	50.00	20.00
Gold (USD/oz)	1767.70	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	**60%**	**25%**	**15%**
TRADITIONAL INCOME			
Money Market	0.3%	0.3%	0.3%
Canadian Bonds	-0.4%	2.3%	7.2%
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	9.4%	-3.8%	-33.3%
Canadian Equity Small Cap	12.0%	-7.5%	-35.0%
U.S. Equity Large Cap	0.7%	-6.2%	-28.1%
U.S. Equity Small and Mid Cap	6.0%	-10.0%	-30.0%
International Equity	7.1%	0.6%	-25.5%
Global Small Cap	7.0%	-3.0%	-30.0%
China and Emerging Market Equity	11.9%	9.8%	-33.6%
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%**	**0.0%**	**-17.5%**
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%	0.0%	-2.5%
NON-TRADITIONAL INCOME	**0.0%**	**30.0%**	**50.0%**	**38.5%**	**8.5%**
Multi-Private Credit	0.0%	12.0%	25.0%	15.0%	3.0%
Multi-Strategy Income	0.0%	0.0%	10.0%	0.0%	0.0%
Diversified Real Estate	0.0%	6.0%	15.0%	7.5%	1.5%
Infrastructure	0.0%	6.0%	15.0%	8.0%	2.0%
Agriculture	0.0%	6.0%	15.0%	8.0%	2.0%
TRADITIONAL CAPITAL APPRECIATION	**10.0%**	**37.5%**	**60.0%**	**45.0%**	**7.5%**
Canadian Equity Large Cap	5.0%	10.0%	30.0%	20.0%	10.0%
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%	11.0%	1.0%
Liquid Alternatives	0.0%	5.0%	15.0%	5.5%	0.5%

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

Europe

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

Asia

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

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