

TACTICAL ASSET ALLOCATION COMMITTEE MONTHLY COMMENTARY

APRIL 2020



FIERACAPITAL

The month of March was nothing short of unprecedented. Financial markets were roiled against the backdrop of the escalating COVID-19 pandemic and the dreadful economic fallout from the countermeasures to contain it. Investors are weighing the progression of the outbreak and the ramifications for global growth against the efficacy of the monetary and fiscal response in restoring financial market stability and stemming the economic hardship. As the breadth and depth of the outbreak and its economic toll remain unknown at this time, sentiment is almost certain to be fragile until the virus has been contained.

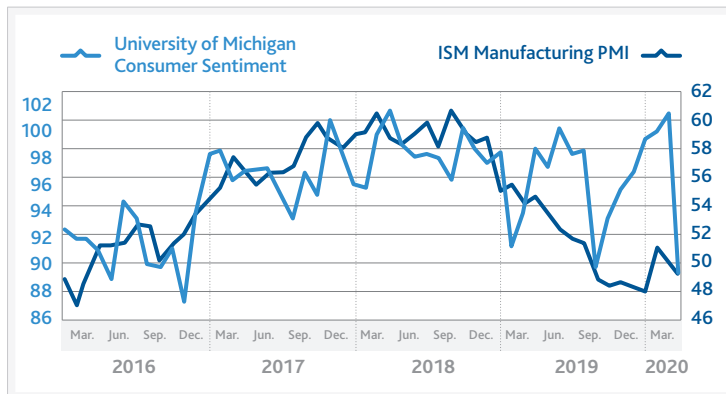
FINANCIAL MARKET DASHBOARD				
	MARCH 31, 2020	MARCH	YTD	1 YEAR
EQUITY MARKETS		% PRICE CHANGE (LC)		
S&P 500	2585	-12.51%	-20.00%	-8.81%
S&P/TSX	13379	-17.74%	-21.59%	-16.91%
MSCI EAFE	1560	-13.82%	-23.43%	-16.84%
MSCI EM	849	-15.61%	-23.87%	-19.80%
FIXED INCOME (%)		BASIS POINT CHANGE		
US 10 Year Bond Yield	0.67	-47.9	-124.8	-173.6
US 2 Year Bond Yield	0.25	-66.8	-132.4	-201.5
US Corp BBB Spread	2.77	132.0	152.0	118.0
US Corp High Yield Spread	8.79	371.0	552.0	476.0
CURRENCIES		% PRICE CHANGE		
CAD/USD	0.71	-4.79%	-7.65%	-5.10%
EUR/USD	1.10	0.05%	-1.62%	-1.67%
USD/JPY	107.54	-0.32%	-0.99%	-2.99%
COMMODITIES		% PRICE CHANGE		
WTI Oil (USD/bbl)	20.48	-54.24%	-66.46%	-65.95%
Copper (USD/pound)	2.23	-12.49%	-20.34%	-24.11%
Gold (USD/oz)	1583.40	1.07%	3.96%	22.46%

Fear gripped the panic-stricken marketplace in an unparalleled month, with global equity benchmarks down sharply in the wave of indiscriminate selling. While assertive action from central banks and governments indeed alleviated some of the pressure, the mid-month revival in risk appetite proved fleeting as coronavirus cases continued to mount globally. The carnage was felt broadly across the world in the exodus to safe haven assets. The S&P 500 capped a horrific month, while the S&P/TSX led the decline amid calamitous weakness in the battered energy sector. Looking abroad, European and Japanese equities also joined the monthly rout, while emerging market stocks have shed close to \$5 trillion in value since the beginning of the year.

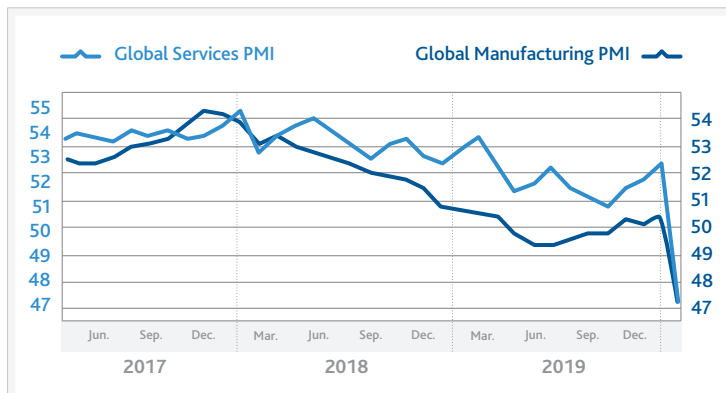
Bond yields swung wildly as investors contemplated the economic fallout of the COVID crisis, bond supply implications of the fiscal response, and central bank measures aimed at restoring liquidity. In the end, newly announced stimulus measures and heightened investor angst led government bond yields lower. Most dramatically, the Federal Reserve slashed rates back to zero and announced a string of new measures aimed at providing unlimited liquidity to all parts of the financial system. Meanwhile, the ECB removed the constraints on the bonds it buys under its new purchase program, while the Bank of Canada lowered its overnight rate three times and introduced some large scale asset purchases. Finally, spreads exploded as lingering recession fears brought into question the health of US corporations, which saw credit underperform its government counterparts by a wide margin in March.

The US dollar thrived in the environment of elevated uncertainty and deteriorating global growth prospects, with unnerved investors flocking to the safety of the greenback. In contrast, the Canadian dollar was pummeled by the unrelenting drop in crude prices, while the Japanese yen managed to eke out a modest gain due to its safe haven status in what was an erratic financial market environment.

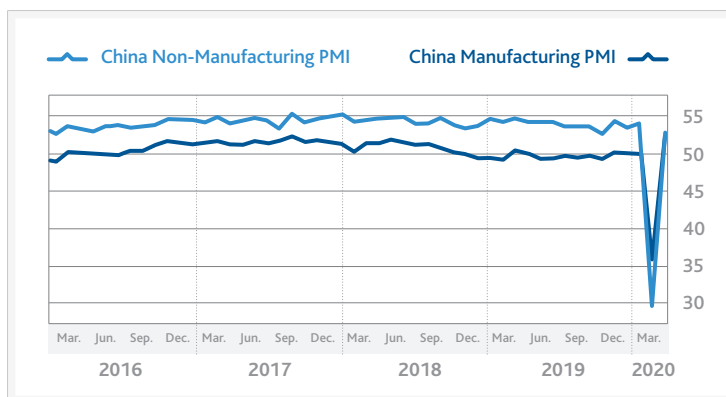
Oil tumbled to an 18-year low after being struck by a simultaneous demand and supply shock. While COVID lockdowns cascaded across the globe and cratered demand prospects, the incoming supply deluge from the global price war exacerbated the unprecedented hit to prices. Meanwhile, copper prices plunged lower as fears about global demand destruction weighed on industrial metals. Finally, gold was whipsawed as investors rushed to liquidate to cover other financial losses, though was bid-up in late-March as nervous investors sought a refuge in the traditional safe haven, while extraordinary monetary stimulus also lent support.



According to the University of Michigan survey, household confidence plunged by the most since October 2008 in March as mounting covid-19 cases, business closures, and job losses dampened sentiment. Meanwhile, the ISM manufacturing survey revealed that both orders and employment at US factories contracted at the fastest pace in 11 years as producers grapple with pandemic-related demand destruction.



The pronounced weakness in China at the beginning of the year has permeated across the globe as the fast-spreading virus spurs strict countermeasures in developed economies. In contrast to previous crises, the services sector has assumed much of the weakness owing to the massive hit to travel, leisure, and restaurants. Similarly, global factories have also suffered (albeit to a lesser extent) amid mass shutdowns that have wreaked havoc on supply chains.



The Chinese manufacturing PMI rebounded to 52.0 in March from February's historical low, while the non-manufacturing counterpart soared to 52.3. The underlying details of the factory PMI pointed to a recovery in both supply-side and domestic demand activities. Meanwhile, most service-related components remained weak, though the construction sector rebounded forcefully amid government support that boosted infrastructure projects.

USA

The record-long expansion in the US has come to an end as soaring COVID-19 cases spurs intense social distancing measures and restrictions that have brought the world's largest economy to a screeching halt. While supply-chain disruptions have crippled production and weighed on factory activity, the consumer is feeling even more pain as businesses close their doors and millions of Americans lose their jobs, which has fueled a massive destruction of wealth. Keen to avoid a prolonged recession, policymakers have stepped-up in a timely and assertive manner with emergency measures to limit the damage to both households and businesses. However, with little in the way of visibility regarding the extent and magnitude of the outbreak as it spreads aggressively through the US, the market has been unphased by pledges for support thus far.

INTERNATIONAL

The global growth outlook has deteriorated dramatically as stringent restrictions on both businesses and households to curb the coronavirus spread has brought much of the world economy to a standstill. The pandemic has now proliferated in the Western world, with Europe and the US the new epicentre of the health crisis. As a result, developed economies are now suffering the dreadful blow that China saw earlier this year. With travel restrictions and closures across factories, stores, and restaurants, the meltdown has spanned broadly across both the manufacturing and services sectors – though the consumer-oriented industries such as tourism, leisure, and entertainment have assumed the brunt of the weakness. With both Europe and the US extending lockdowns even further, the economic toll will be nothing short of dreadful in the coming months.

EMERGING

The Chinese economy was at the epicentre of the COVID-19 outbreak in January. While draconian measures imposed by the government quickly contained the spread, it came with a massive economic toll as the economy came to an abrupt stop at the beginning of the year. Encouragingly, lockdowns have proven successful in combating the virus as new cases in China have peaked. As a result, the economy has begun to renormalize as factories re-open and as the population slowly returns to work. Indeed, China's purchasing manager indices returned to expansion-terrain in March after the steep collapse through January and February, offering a glimmer of hope for other countries going through intense periods of infection and isolationism that the virus-related hit to activity could indeed be relatively short-lived.

MAIN SCENARIO SUBDUED RECOVERY

PROBABILITY 50%



In this mildly optimistic scenario, an existing medical solution is proven effective in dampening the pandemic over the next quarter and mitigation efforts prove successful in stemming its spread, which brings about a certain degree of confidence that we are regaining control over the propagation of the disease and its potential growth impacts. As a result, economic activity resumes during the third quarter of 2020, albeit at a subdued pace as the psychological shock to both consumers and businesses weighs on confidence and spending intentions, restraining the magnitude of the economic recovery in the coming year.

SCENARIO 2 PROLONGED SLOWDOWN

PROBABILITY 25%



Even if no clear medical solution is found and social distancing guidance remains, confidence prevails that a cure for COVID-19 will be made available sometime in 2021. Tentative signs that strict mitigation efforts are proving successful in containing the contagion spurs a resumption in economic activity this summer. However, the fact that the outbreak hasn't been fully conquered leaves the economy in a vulnerable position and local quarantine efforts are necessary for affected areas. The population remains in lockdown-mode and the steep contraction in the second quarter makes way for virtually no growth into 2021 as heightened levels of fear and anxiety leave consumers and businesses reluctant to spend until a vaccine is made available.

SCENARIO 3 RAPID RECOVERY

PROBABILITY 15%



In the "V-shape" recovery scenario, an existing therapeutic is discovered in the near-term and proves sufficient in gaining control over the proliferation of the coronavirus. As the outbreak recedes, sentiment improves drastically and isolationism and social distancing measures abate in accordance. In turn, economic activity resumes at a rapid pace during the third quarter, with a dramatic snapback in activity during the back half of 2020 as unleashed pent-up demand and the lagged impact of massive monetary and fiscal stimulus amplifies the rebound through the second half of 2020 and into 2021.

SCENARIO 4 PROTRACTED RECESSION

PROBABILITY 10%



Failure to contain the global pandemic or to find a near-term cure morphs into an extended period of global recession and a prolonged bear market in stocks. In this calamitous scenario, virus mitigation efforts from governments that include quarantines, work stoppages, and restricted mobility fuels a steep contraction in global economic activity. 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 intentions and economic activity well beyond the lifespan of the epidemic.

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FORECASTS FOR THE NEXT 12 MONTHS

SCENARIOS	MARCH 31, 2020	SUBDUED RECOVERY	PROLONGED SLOWDOWN	RAPID RECOVERY	PROTRACTED RECESSION
PROBABILITY		50%	25%	15%	10%
GDP GROWTH 2020					
Global	1.00%	-2.00%	-3.00%	2.00%	-10.00%
U.S.	2.30%	-2.00%	-4.00%	0.00%	-10.00%
GDP GROWTH 2021					
Global	1.00%	2.50%	1.00%	4.50%	-5.00%
U.S.	2.30%	2.00%	0.00%	4.00%	-5.00%
INFLATION (HEADLINE Y/Y)					
U.S.	2.30%	0.00%	-1.00%	1.00%	-2.00%
U.S. RATES					
Fed Funds	0.25%	0.25%	0.25%	0.25%	0.00%
10-Year Treasuries	0.67%	1.00%	0.60%	1.40%	0.40%
30-Year Treasuries	1.32%	1.70%	1.25%	2.20%	1.00%
PROFIT ESTIMATES (12 MONTHS FORWARD)					
S&P 500	164	140	105	150	85
MSCI EAFE	117	95	75	105	60
MSCI EM	73	55	45	65	35
P/E (FORWARD 12 MONTHS)					
S&P 500	14.5X	19.0X	16.0X	21.0X	15.0X
MSCI EAFE	13.4X	17.0X	14.0X	19.0X	13.0X
MSCI EM	11.6X	15.0X	13.0X	17.0X	12.0X
CURRENCIES					
EUR/USD	1.10	1.10	1.00	1.14	0.90
USD/JPY	107.54	104.00	100.00	115.00	90.00
GBP/USD	1.24	1.25	1.10	1.40	1.05
CAD/USD	0.71	0.72	0.65	0.75	0.62
COMMODITIES					
Oil (WTI, USD/barrel)	20.48	30.00	20.00	35.00	15.00

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.

USA

MATRIX OF EXPECTED ANNUAL RETURNS (USD)

SCENARIOS	SUBDUED RECOVERY	PROLONGED SLOWDOWN	RAPID RECOVERY	PROTRACTED RECESSION
PROBABILITY	50%	25%	15%	10%
US Money Market	0.3%	0.3%	0.3%	0.1%
US Bonds	-2.2%	-0.1%	-4.9%	1.1%
US Equity	2.9%	-35.0%	21.9%	-50.7%
International Equity	3.6%	-32.7%	27.9%	-50.0%
Emerging Market Equity	-2.8%	-31.1%	30.2%	-50.5%

CURRENT STRATEGY¹

	MINIMUM	BENCHMARK	MAXIMUM	STRATEGY	ALLOCATION	RELATIVE
CASH	0.0%	5.0%	25.0%	Neutral	5.0%	0.0%
TRADITIONAL INCOME	5.0%	30.0%	85.0%	Neutral	30.0%	0.0%
TRADITIONAL CAPITAL APPRECIATION	15.0%	65.0%	95.0%	Neutral	65.0%	0.0%
US Equity	10.0%	35.0%	60.0%	Neutral	35.0%	0.0%
International Equity	5.0%	25.0%	40.0%	Neutral	25.0%	0.0%
Emerging Market Equity	0.0%	5.0%	25.0%	Neutral	5.0%	0.0%

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. Discussions regarding potential future events and their impact on the markets are based solely on historic 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.

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TACTICAL ASSET ALLOCATION COMMITTEE

MONTHLY COMMENTARY

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Information related to indices and benchmarks has been provided by, and/or is based on third party sources, and although believed to be reliable, has not been independently verified. No representation is made that any benchmark or index is an appropriate measure for comparison. It is not possible to invest directly in an index. Investors pursuing a strategy similar to an index may experience higher or lower returns and will bear the cost of fees and expenses, which will reduce returns. Index results assume the reinvestment of all dividends and capital gains. The S&P 500 Index (SPX) is a stock market index made up of approximately 500 US large cap stocks. The index comprises a collection of stocks of 500 leading companies and captures 80% coverage of available market capitalization.

The S&P/TSX composite index is the Canadian equivalent to the S&P 500 market index in the United States. The S&P/TSX Composite Index contains stocks of the largest companies on the Toronto Stock Exchange (TSX). The index is calculated by Standard and Poor's, and contains both common stock and income trust units.

The Morgan Stanley Capital International ("MSCI") EM Index is a stock market index that consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. The Morgan Stanley Capital International ("MSCI") EAFE Index is a stock market index made up of approximately 909 constituents. It is often used as a common benchmark for international stock funds. The index comprises the MSCI country indexes capturing large and mid-cap equities across developed markets in Europe, Australasia and the Far East, excluding the U.S. and Canada.

The University of Michigan Consumer Sentiment Index is a consumer confidence index published monthly by the University of Michigan. The index is normalized to have a value of 100 in December 1966. Each month at least 500 telephone interviews are conducted of a contiguous United States sample.

The ISM Manufacturing Index is based on surveys of more than 300 manufacturing firms by the Institute for Supply Management (ISM). The ISM Manufacturing Index monitors employment, production, inventories, new orders and supplier deliveries. A composite diffusion index monitors conditions in national manufacturing and is based on the data from these surveys. Export Orders PMI measure the movement of merchandise trade leaving a country. This measure tracks the value of merchandise trade by the Institute for Supply Management (ISM).

Global manufacturing PMI indices are compiled by IHS Markit from responses to monthly questionnaires sent to purchasing managers in survey panels in over 40 countries, totaling around 13,500 companies. These countries account for 98% of global manufacturing value added. UK Manufacturing Purchasing Managers' Index measures the performance of the manufacturing sector and is derived from a survey of 600 industrial companies. The Manufacturing Purchasing Managers Index is based on five individual indexes with the following weights: New Orders (30 percent), Output (25 percent), Employment (20 percent), Suppliers' Delivery Times (15 percent) and Stock of Items Purchased (10 percent), with the Delivery Times index inverted so that it moves in a comparable direction. A reading above 50 indicates an expansion of the manufacturing sector compared to the previous month; below 50 represents a contraction, while 50 indicates no change.

JP Morgan Global Services PMI gives an overview of the global services sector. It is based on non-opinion based monthly surveys of over 5,500 executives from 15 of the world's strongest economies, including the U.S., Japan, Germany, France and China which together account for nearly 80% of global services sector's gross value added (GVA). It reflects changes in global output, employment, new business, backlogs, and prices. The Global Services PMI is seasonally adjusted at the national level to control for varying seasonal patterns in each country and is produced by J.P. Morgan and Markit in association with ISM and the International Federation of Purchasing and supply Management (IFPSM).

The China Manufacturing Purchasing Managers Index is based on a survey of around 700 to 800 companies. It is a government-sponsored survey aimed at tracking business conditions in the Chinese manufacturing sector ahead of official economic statistics, while also providing insight into wider economic trends.

In China, the Non-Manufacturing purchasing managers index survey is based on data collected from a representative panel of 1200 enterprises from the non-manufacturing sector. The survey includes ten questions on business activity, new orders, new export orders, in hand orders index, stock, intermediate input price, subscription price, employment, supplier delivery time, and business activities expectation. For each question, the diffusion index is calculated.