

Private Alternatives Current Markets, Outlook and Opportunities

MAY 22, 2020



COVID
19



FIERACAPITAL



The rapidly evolving COVID-19 crisis has inevitably created significant impact on the global political, social and economic environment. While the impact on private alternative investment is less observable than in the public markets, our Fiera Private Alternative Investment teams have continued working diligently to monitor their investments during this volatile period.

We have established a solid track record across multiple private investment strategies, attributed to our deep bench of talented investment professionals. We have extensive functional and industry expertise, and our teams are highly sophisticated in how they source deals, seek value, and exit investments. However, direct investments can be labor intensive as information is “private” and requires a more “hands-on” approach that relies heavily on strong partnerships between individuals. Despite the long-term investment horizon of our investments, short-term challenges exist. In light of the pandemic, our teams – remotely – have been in active dialogue with their respective business partners, from farm operators to real estate entrepreneurs to renewable energy operators, and have taken appropriate actions where necessary. Over the past several weeks we have focused on monitoring portfolios with respect to cash flows, valuations and any other unique factors that may impact the strategies. Short-term liquidity in select markets could be impacted, however we are confident we are well-positioned to weather the storm in these truly unprecedented times. We are supporting our partners through the uncertainty and are confident that together we will create value in the long run for our investors. Every crisis presents an opportunity and we encourage our investors to never lose sight of that.

We are pleased to share a summary update on the private alternative investment strategies we offer globally in the various jurisdictions we operate, as well as their insights on current markets, outlook and potential opportunities.

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— Infrastructure

Market Update

It is during circumstances such as these that the defensive nature of the infrastructure asset class as an investment compared to traditional equities should be demonstrated. The long-term contracted and regulated nature of many core infrastructure assets (which are a focus within our portfolio) has contributed to the resilience of the asset class, however GDP-linked assets, such as airports, are not fairing as well. Although transportation assets tend to rebound quickly, the difference this time around is the length of the disruptive event, and fear of recurring waves of the virus; however, in this crisis, we have seen certain sub-asset classes flourish. Digital infrastructure, already in a growth trajectory, will play a big role in infrastructure portfolios going forward. This is driven by the data usage demand growth and need for reliability and performance. Within our portfolio, this subsector has played a very strong role and has proven to provide a critical service to its clients, acting as a fourth essential utility along with water, gas and electricity.

Our Transaction Team continues to be active on our deal pipeline and we do not expect a delay in planned deployment. We believe that the ability to ascertain our execution certainty will be of significant value to sellers in this uncertain market and could present some interesting opportunities for us. Our team brings strong deal expertise and efficient transaction execution which we believe will be highly valued in the current environment. We are actively engaged in several transactions in various stages of the process.

We are keeping an eye on opportunities which will naturally arise from sellers that may need to dispose of assets in a quick fashion. In the general marketplace, some vendors have slowed down their processes due to disruption in workflow and concerns of market conditions. We do not expect activity in the core markets to drastically slow as these assets are less impacted than some core-plus or GDP-linked assets. Furthermore, we have several pipelines of proprietary transactions that have allowed our portfolio to continue to grow during this time.

Opportunities

Infrastructure presents an attractive opportunity for investors to seek traditionally safe assets. According to CAiP's interview with Calum Mackenzie, partner and head of investments, Canada, at Aon, Canadian pension fund investors that held infrastructure and real assets were more resilient to the market volatility resulting from the impact of COVID-19 versus their pension fund investors who didn't de-risk by diversifying.¹

At Fiera Infrastructure, we are actively progressing with capital raising through the continuation of client discussions by video and conference calls. We have used the ability to conduct virtual meetings as a positive factor since we are no longer coordinating travel schedules. We may see a longer capital raising cycle as investors shift their focus to managing their portfolio of assets.

Fiera Infrastructure Team

¹ <https://www.caipforum.com/2020/03/15/how-pension-funds-are-coping-with-covid-19/>



— Agriculture

Market Update

The performance of land-based agriculture investments during periods of crisis has historically been quite stable (particularly when compared to other asset classes). This is underpinned by the inherent “store of value” of high-quality farmland.² For instance, during the Global Financial Crisis, the performance of a diversified portfolio of US farmland was essentially flat, with moderate income, significantly outperforming other asset classes.³ Although the factors causing the current crisis are different, the asset class is demonstrating a similar resilience.

Agricultural commodity markets and land markets are broadly holding up well through the COVID-19 crisis. Generally speaking, agricultural commodities have shown movements of less than 15% (either positively or negatively) in the last two months and are exhibiting movements that would be considered directionally normal for the underlying commodity.⁴ The production and consumption of food does not stop during a crisis.

Farmland markets have also shown broad resilience in the first quarter of the year. In the US, land values were largely flat in the first quarter and in Australia land values have seen continued positive momentum for the last year that has not abated in the current environment.

The lending environment for agriculture remains reasonably stable with minor changes to default rates and lending costs. We have not seen changes in margin across the agricultural lending environment and do not expect any in the coming months.

Opportunities

Fiera Comox is continuing to evaluate a broad range of bolt-on acquisitions across our portfolio companies. We completed three bolt-on acquisitions in March 2020 and we would expect to complete several others over the course of Q2. In all instances, these properties are adjacent to existing portfolio assets, are well-known to Fiera Comox and the management teams of our businesses and on-the-ground due diligence is either completed or on-going. In some select cases, we are also seeing a handful of distressed opportunities materializing where poorly capitalized owners are putting assets on the market. A well-capitalized, patient owner could realize some interesting opportunities in this environment.

We are also evaluating several new partnership opportunities in cases where deals have originated prior to the crisis. These opportunities are in the USA, Australia and Western Europe and extend across several sectors, including fruit, beef, sheep, olives and nuts. New deals continue to be originated, albeit with the caveat that on-the-ground due diligence and in-person meetings will need to be delayed.

Overall, the opportunity set for the strategy remains promising and successful deployment is expected to continue through Q2 and beyond.

Fiera Comox Agriculture Team



² We assess a variety of factors of compelling and competitive assets to determine what we believe are high quality assets.

³ NCREIF Farmland Indices, April 30, 2020.

⁴ Bloomberg, April 30, 2020.

— Private Equity

Market Update

We are a few weeks into the COVID-19 pandemic and the nature of the virus, the social distancing policies, and the fiscal and monetary policies remain in flux while the cumulative effects remain very uncertain. Daily public market volatility is reflecting a lack of common understanding by market participants of the magnitude and timeframe of the impact to the real economy. Certain PE-backed companies in sectors like retail and hospitality are starting to show strains from sharp declines in revenue and now risk bankruptcy. The same is true in the riskier space of venture capital where future capital injections may not be available to stave off portfolio company collapse. That said, market dislocation creates significant opportunities in private equity given the limited transparency and reduced access to liquid financing markets. Historically, private equity has significantly outperformed public markets coming out of a crisis, with recession vintages showing highest performance through the cycle.⁵ We believe the decline in valuation multiples was long overdue and that this market normalization will provide more attractive investment opportunities in the coming six to twelve months.

Potential Impacts on Deal Origination

We have seen and expect to continue to see a growing number of interesting investment opportunities, as businesses look for additional capital to weather the economic storm or expand. While there has been a slowdown in traditional control buyouts due to skittish debt markets, we are seeing more deals to provide equity to challenged private equity-held businesses and to entrepreneurs looking to capitalize on potential acquisition opportunities. Our open capital structure and flexible mandate allows us to make meaningful minority investments in such situations. With many small businesses struggling, this is a great time to pursue roll-up acquisitions, a pillar of our investment strategy. We are currently reviewing several opportunities under these contexts. For example, we are evaluating an investment in a de novo North American healthcare roll-up in highly fragmented industry with attractive clinic economics. We are also looking at a potential capital injection for a value-add industrial component manufacturer servicing the auto industry. Further down the road, we also expect to see a surge in recapitalizations of good businesses with bad capital structures. Heavy debt loads, reduced profits and lower valuations may require owners to sell companies upon facing debt maturities in the future. Given our portfolio is in good shape, we have the bandwidth to deploy more capital throughout 2020 as a result. As always, we will continue to seek non-auction and proprietary opportunities.

Fiera Comox Private Equity Team

⁵ Sources: Cliffwater, "An Examination of Private Equity Performance among State Pensions, 2002-2017," May 2018; Cambridge Associate U.S. Buyout Index, March 2019.

— Real Estate

Market Update

The markets remain quiet from a transactional standpoint as owners/managers and investors are mainly focused on asset management. The areas that are currently commanding the most attention are rent collections, government relief programs and contingency planning for re-opening of buildings once COVID restrictions begin to ease. These are all logistically intense.

The myriad of government programs, while welcomed, are also driving a labor-intensive process for many landlords. We are finding that generally in both Canada and UK the message precedes the mechanics when it comes to the government programs. There is ongoing exchange between industry, government and legal representatives with a view to working out the mechanics and the degree to which any single tenant, landlord or property might qualify and ultimately how funds will flow. We remain fully engaged in this area.

Given a general lack of investment volume in the real estate trade, assessing value remains challenging. The total impact of the economic shutdown and the effectiveness of government relief programs remain the wildcards in this space. While we anticipate a reduction in overall value over the course of Q2 it is still too early to be able to accurately assess the order of magnitude and the offsetting impact of government relief.

Well-located and well leased A-Class assets may ultimately hold value and outperform other asset classes. Less well leased lower-class assets will underperform and experience value depreciation at the upper end of the range. We would also expect standing real estate assets that are not unduly encumbered by fixed financing costs to continue to perform well relative to other asset classes and to sustain positive cash flows.

As is the case across all asset classes and the economy in general, the great unresolved question is how long the economy will be shut down and what the true extent of the fallout may be. As previously stated, commencement of a return to economic activity prior to the end of Q2 will help to moderate the negative consequences and bode well for what could be a very strong bounce back. However, if the economy remains effectively closed for several more months it would be reasonable to assume a significant re-pricing of all assets, including real estate.



Opportunities

While the current market news is quite sobering and the ability to forecast future outcomes remains very challenging, Fiera Real Estate is already focusing on new opportunities and actively engaged in discussions with investors. We also continue to complete transactions in both the Canadian and UK markets.

Open structures will mark to market and this should present a very good buying opportunity for investors who are unallocated or under allocated to real estate. In what is expected to remain a very low interest rate environment coming out of the COVID crisis, the income generating capabilities of real estate will be in very strong demand. The pause in the economic cycle will also have created a void in supply and post COVID demand should therefore drive up value in standing real estate.

Our UK and Canadian opportunity strategies are well poised to take advantage of a re-priced and potentially undercapitalized markets. We are actively monitoring the market for opportunities to acquire good assets from financially stressed owners, lenders, and developers.

Broadly we see the COVID crisis impacting the way in which enterprises utilize their space and are closely monitoring and assessing these potential impacts. We see opportunities emerging from a need to re-purpose and redesign existing and new forms of shelter to accommodate new social dynamics and working systems. Well-capitalized and creative real estate managers will be well positioned to take advantage of these trends. On behalf of our investors we own and manage more than 25 million square feet in Canada and the UK and we are anticipating thriving in the post COVID period.

Fiera Real Estate Team

SUMMARY OF IMPACTS

- Rental collections were generally stronger than expected and averaged in the range of 85% with retail rent collections and those of the hospitality sector skewing results to the negative.
- Government assistance programs are being reviewed, monitored and applied where possible but it remains too early to quantify the full impact.
- Duration of the COVID crisis remains difficult to project and remains the single most critical factor in forecasting outcomes. There are positive signs emerging in Asia that certain countries are commencing a gradual return to business as usual. As Asia has begun to re-open, discussions in the UK, Europe and North America are turning to the logistics of re-opening and the requirements of what will be a new operating paradigm.
- Our portfolios have low levels of debt and as such are well positioned to sustain positive cash flows and income returns. However, we expect some near-term downward pressure on capital values in the order of 5% to 10% over the course of Q2.
- In most jurisdictions, new development and associated transactions have all but ceased. However, projects in progress have been generally allowed to continue with social distancing protocols in place. While this will delay completion timing it remains a very positive outcome. A post-crisis reduced supply of new projects should create a good demand/supply dynamic that will help mitigate overall losses to existing projects.
- There remains a reasonable level of liquidity in the debt market for well capitalized entities with strong banking relationships.

— Diversified Lending

Market Update

For most of March, the markets slowed down in terms of transactions and loan payoffs, with closings being postponed by a few weeks, but have started to pick up again and there have been quite a few loan payoffs and new transactions conducted in the month of April. A minority of the borrowers across industries have requested a delay in their interest and/or principal payments by a period of 30-60 days, which would not be forgiven but instead only deferred and either collected at the end of the forbearance period, with payments spread evenly across the remainder of the loan term, or completely deferred until the end of the term. With most of the loans in the portfolio being short-term, the deferral to the end of the loan term should not have a material impact on yield. More recently, a lot of businesses and individual borrowers have received various stimulus benefits from Federal and Provincial Governments across the U.S. and Canada, which would mitigate some of the issues that borrowers are currently facing. The population in general is more relaxed and optimistic given the better weather, the hospitals now being stocked with appropriate PPE, and more testing that is available to the general public for COVID-19 as well as for antibodies.

Opportunities

Overall, our thesis is that there will be less liquidity over the next few months and management of the underlying loans will require a more hands-on approach, closer monitoring and working with borrowers, but for the patient investors, this crisis may yield numerous opportunities in the coming months and years. Private lenders have a more flexible approach with borrowers, which reinforces relationships in these difficult times and will put them in a stronger position to generate business from repeat customers. The managers we work with are seeing a lot of interesting opportunities because banks and other lenders who may have been more levered or aggressive have had to pull back. Multiple managers are launching opportunistic vehicles to take advantage of the very attractive opportunities they are seeing

in the market today. While the cash yield in the short-term is expected to be reduced due to delay in payments by various borrowers, the total return is not expected to suffer materially in the medium to long-term, and, in fact, we expect total return opportunity in the future to be stronger than it has been in the last few years.

Diversified Lending Team

— Asia Credit

Developed Asia Direct Lending

Market Update

All three of the countries where we lend have a geographic advantage in the current COVID-19 situation. Australia and New Zealand are islands and South Korea is a peninsula with a closed border to the north. The governments of these countries have taken swift and decisive actions including controlling arrivals to reduce the possibility of importing new cases and social distancing measures to control local transmission. These measures have proven successful to date as the curve has flattened. The spread of the virus currently appears to be under control and business is starting to resume.

In these markets, we are an alternative credit provider servicing a funding gap that has been created by regulatory restrictions on the traditional banks. Our business is providing secured loans to real estate developers to fund the full life cycle of property development. Overall, our macro thesis around commercial real estate lending remains intact despite the COVID-19 crisis. We expect a continued shift away from the commercial banks and towards the alternative lenders in the markets where we operate.

Opportunities

Our view is that secured lending in Australia, New Zealand and South Korea is an attractive asset class today. We continue to have a robust pipeline of opportunities in the sector.

Due to limited competition in the alternative lending market currently, we are seeing and underwriting multiple opportunities for higher interest rate deals at conservative loan-to-value ratios. We continue to prioritize the affordable housing segment as the market remains undersupplied. This is a market segment where we expect to see a significant flow of government stimulus to restart the economies.

The Yield Strategy STRESSED SECONDARY CREDIT

Market Update

The real estate sector in China represents the biggest exposure in the Yield Strategy. Our core thesis remains that the large industry leaders will survive and China — both fiscally and monetarily — has more tools than the western economies to make sure credit is available to the industry leaders. We have already seen the creation of borrowing facilities from the state banking system and bond issues taking place in the onshore markets. In the offshore market, real estate developers look to have sufficient liquidity to weather through the market downturn, as they proactively took advantage of the strong market technical conditions in late 2019/early 2020 to pre-fund their refinancing requirement in 2020.

In the physical real estate market, both home sales and land sales have recovered to approximately 80% of 2019's numbers⁶, while inventory levels across China remain manageable, with inventory at approximately 12 months. We expect the Chinese government to respond proactively to any future weakness in the real estate market, as it has done in the past. This is because domestic real estate contributes to approximately 20% of China's GDP and 65% of China's household assets are invested in real estate (compared to only 23% of household assets in the United States).⁷

Opportunities

The prospect of global systemic risks has diminished recently, giving rise to historic value in Asia High Yield generally and China real estate companies specifically. The top 150 developers in the world's largest real estate market offer compelling risk-adjusted returns as China's economy gets back on its feet. These companies are broadly trading between 70 and 95 cents on the USD, or 10% to 20% yields to maturity for single B and BB rated public and private instruments. We have invested in this thesis during multiple crises before and know this universe intimately. The Chinese economic restart is already happening and we see visibility in earnings here on a company by company analysis of all positions in our growing portfolio.

⁶ US National Bureau of Statistics, April 2020.

⁷ National Bureau of Statistics, April 2020.

Five reasons why we believe that China real estate High Yield market is compelling:

- 1** China is already implementing many of the credit easing measures that were passed in western economies.
- 2** The COVID-19 crisis is stabilizing in China and people are beginning to return to work.
- 3** China's physical real estate market is recovering steadily
- 4** Unlike the US High Yield market where Energy is the dominant sector, the China real estate market makes up the largest component of the Asia High Yield index.
- 5** The absolute rate differential for the Asia High Yield market has consistently compensated investors for the perceived higher risk of Asia.

**China Houze Group ("CHG")
CHINA ONSHORE DIRECT LENDING**

Market Update

Despite the global COVID-19 pandemic, China's onshore liquidity remains stable with 100% of the portfolio performing and two transactions repaying ahead of schedule. The Chinese government has the fiscal and monetary tools to ensure that credit is made available when needed. China's onshore financial markets have so far been stable, compared to the market volatility and dislocations seen in other global financial markets.

Opportunities

As China continues to re-open its economy, and as the real estate sector continues to recover from the preceding shutdown, the Chinese government has indicated that it will continue its restrictions on real estate lending by banks and trust companies. This will continue to provide opportunities to lend to real estate developers who are still growing and leading the ongoing consolidation in China's real estate sector.

Already, CHG is seeing an increasing pipeline from larger real estate developers. Since December 2019, 46% of CHG's loans were made to larger, Hong Kong-listed real estate developers with annual contracted sales of between \$5 billion to \$17 billion each.

Clearwater Capital Team

Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss.

— Business Financing

Market Update

Our market outlook is one of cautious optimism as we begin to witness market re-openings in East Asia along with a stable and dropping daily infections rate in most western societies that are also slowly starting to re-open. That said, the reality of a second wave of the spread is possible and governments are working towards minimizing and controlling that potential eventuality. While a precise timeframe for full economic recovery is difficult to predict, most western governments, Canada included have by now already prepared staged rollout schedules. We estimate and many experts forecast that we will undergo a *U-shape* rather than a *Swoosh-shape* recovery as the pandemic is expected to cause periods of instability and disruptions along the path to full economic recovery.

The quick and swift action of the Federal and Provincial Governments in the face of this pandemic will undoubtedly aid in the recovery of businesses across the country. Programs targeting wage and rent subsidy to that of interest rate cuts and the Canada emergency business account fund will help companies navigate through this crisis.

Opportunities

As we learned from the 2008 credit crisis, the months following a major economic event are fraught with uncertainty and hesitation for both borrowers and lenders. We see early evidence of retrenchment as the commercial banks are behaving conservatively with both existing clients as well as new business on-boarding. This behaviour is expected to carry over for many months to come as the large, entrenched lenders sort through their portfolios to determine the extent of the provisions required. This in turn presents unique opportunities for quick and agile lenders such as Fiera Private Debt to obtain market share with quality borrowers. Our position is therefore to remain focused on the welfare of companies within our portfolio while proactively continuing to identify new future opportunities for our investors. Moreover, we anticipate that commercial banks and institutional lenders will be looking more actively at sharing risk going forward. This offers a commensurate opportunity for Fiera Private Debt to opportunistically position ourselves in both *pari passu* and subordinated debt positions.

It is also worth mentioning that Investissement Quebec (IQ), the Business Development Bank of Canada (BDC) and the Export Development Corporation of Canada (EDC) have shown a greater willingness to work more collaboratively with private debt firms such as Fiera Private Debt to ensure that businesses across the country have the necessary access to capital for growth. In this regard, Fiera Private Debt is now officially approved by IQ as a Financial Institution benefitting from the guarantee products offered by the Province of Quebec to Quebec-based enterprises seeking capital loans in support of business operations and expansion projects. This new partnership extends beyond the current COVID-19 pandemic and is an ongoing expression of government confidence in our deal teams along with the apparent skillset in risk management and internal processes.

As such, with our team's expertise and skills, we anticipate business volumes to grow in the months and years ahead in Quebec and more broadly in Canada as the pandemic abates and subsequently runs its course.

Finally, while investment opportunities will be on the rise, we will remain selective in our capital deployment for asset class, risk and fit. As companies emerge from the COVID-19 crisis, many will be burdened with higher leverage alongside reduced revenues and profits. Our due diligence and risk assessments will take this reality into account to weed out overly risky situations and those that are unattractive by their operational/risk characteristics.

Fiera Private Debt Team

— Corporate and Infrastructure Debt

Market Update

The reality is that a comprehensive market outlook is hard to predict as market conditions are directly correlated to the speed at which a vaccine or treatments to alleviate the symptoms of COVID-19 is uncovered. Only then will the economic environment be back to normal and a thorough analysis be rendered. As a fund manager operating in the private debt world, we are cognizant that the short to medium term concerns of our borrowers is that of operating cash flows.

As such, we follow liquidity indicators closely along with other KPIs which allows us a view into a more current portrait of all our borrowers' financial performances. Industries or sectors likely to be heavily affected by the crisis are also meticulously monitored and classified by their level of risk and vulnerability. This cluster of information is available in a centralized dashboard for all to view while the indicators that are updated are used to raise warning signs and identify certain trends.

Opportunities

As a provider of patient debt capital, we build strong partnerships with our borrowers as we become trusted advisors as well as financing partners. We offer solutions that are attractive alternatives to bank loans for investment grade companies who either lack the size to access the public bond market or are private companies with unique and unusual borrowing requirements. The financing product offered to prospective borrowers is that of a senior secured fixed rate term loan with conditions and parameters being subject to the type of debtor, industry, asset base and structure. Suitable borrowers are in line with solid credit metrics, profitable track records, positive cash flows, strong management, and well-defined markets and business models.

As one would expect, we are currently seeing evidence of a pullback in the banking industry, which we anticipate will positively impact our inbound calls from quality borrowers with more immediate needs for financing. This is mainly due to an increase in risk weighted assets and loan loss provisions that arose from the economic impact of COVID-19. As these financial institutions begin tightening lending criteria, which is expected to carry over for many months to come, quick

and agile lenders such as Fiera Private Debt could anticipate increased market opportunities with quality borrowers across the Corporate and Infrastructure strategies.

Our private debt strategies will continue to focus on corporate direct lending and infrastructure debt with investment grade type borrowers. We anticipate that there will be an active M&A market in certain sectors as a byproduct of this economic crisis, namely: Energy, Retail, Tourism, Hospitality, Travel, Entertainment, Leisure products and Airlines. As a result, we expect to see more management buy-out (MBO) and leveraged buy-out (LBO) transactions along with a higher volume of core bank debt refinancing. We also expect to see an increase in capital expenditure debt given the large number of companies that have currently put aside their projects during the crisis. As such, our platform will be ready for any opportunity that meets our risk appetite and quality standard.

Our primary focus remains to be providing the necessary liquidity to support our current borrowers while protecting capital, with a secondary emphasis on being present when the markets do gradually reopen. We want to ensure we are ready to support those who want to grow or take advantage of opportunities to acquire targets at attractive multiples. Regarding the latter, we are of the opinion that discounted multiples and investment opportunities will be available in the months to come, namely in the cloud computing, artificial intelligence and technology sectors. In the Infrastructure strategy, we foresee numerous opportunities specifically in the renewable energy sector as several governments and societies are questioning whether future infrastructure spending should be directed towards green energies.

Fiera Private Debt Team

— Real Estate Financing

Market Update

We believe that prudent underwriting criteria combined with sound real estate fundamentals across Canadian markets will help real estate maintain its value in the medium to long-term. We continue to closely monitor the evolution in tenant default rates as well as unemployment rates. That said, as holders of real estate assets mainly located in prime spots across the country and of which we do not anticipate a liquidation in the short-term, we are optimistic as we have the willingness and the capacity to support operations across our portfolio. However, one must keep in mind that the impact on real estate asset values will continue to partially depend on the speed with which a vaccine against COVID-19 is found - or at least a treatment to alleviate the symptoms - and the duration of the economic crisis.

We also foresee that the quantitative easing and monetary policy that is being undertaken will aid in keeping liquidity available for purchasers once the economy picks up again. The quick and swift action of the Federal and Provincial Governments in the face of this pandemic will undoubtedly aid in the recovery of real estate operators and developers across the country. Programs targeting wage and rent subsidy to that of interest rate cuts and the Canada emergency business account fund will help companies navigate through this crisis and potentially alleviate the impact on real estate asset prices. One should keep in mind however, that there is typically a lag in the prices of real estate assets as opposed to other industries.

Opportunities

Portfolio stress testing and scenario analysis are important parameters for assessing any potential investment and they have gained even more relevance over the past few weeks. Although the Real Estate Financing strategy could experience an influx of investment opportunities in the months to come, we'll continue to be extremely selective in our asset deployment. As such, our platform will be ready for any opportunities that meet our risk appetite and quality standards. The period following a major economic crisis is one of uncertainty and hesitation for the major financial institutions. We are seeing evidence of a pullback as banks are

extremely conservative in their lending parameters be it to new business or existing clients. Our position is therefore to stay focused on the companies that are within our portfolio while also being proactive and aware of the prospects that will be available to us.

In these troubling times, we attempt to stay in constant contact with our clients while collecting as much up-to-date information as possible in order to be ready once the economy slowly reopens. The initial goal when contemplating any new opportunity will be to focus on residential construction and possibly industrial construction, as many companies and real estate players put aside their construction projects during the crisis. The prospects that are perfectly integrated - i.e. that are acting as a developer, general contractor and builder - will be privileged as they are usually dominant players with a solid equity base, a strong liquidity profile and management teams with experience and skill sets that should help them navigate the uncertainty of the months to come.

Our intention is to support our borrowers in these tough times while avoiding, at all cost, liquidation of much needed assets or the enforcement of security pledges. The key is to stay close to our borrowers, to have a collaborative approach and to show support and understanding during this temporary crisis. We're convinced that this business approach will pay dividends as our societies and clients slowly regain normalcy. Moreover, our strengths - personalized solutions, speed of delivery and flexibility - will provide us with even more exposure to new opportunities, such as sustainable real estate investments, in a time where liquidity is much needed and banks and major financial institutions become more stringent.

Fiera Private Debt Team

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Emerging Markets risks – an investment in emerging markets may be subject to greater risk due to investing in emerging market countries, which may introduce greater volatility and political, economic, and currency risks, as well as differences in accounting methods.

Non-Investment Grade Credit risks – an investment in non-investment grade credit may be subject to greater risk due to investing in low-rated or low-investment grade debt securities, which may introduce greater liquidity and counterparty default risks.

Alternative Investments risks - Alternative investments are speculative and involve a great deal of risk and are not suitable for all investors. There can be no assurance that a manager's strategy or target objective will be successful. The overall performance of the strategy is dependent not only on investment performance but also on a manager's ability to source assets. Investment return and principal value will fluctuate so that an investor's units, if and when redeemed, may be worth more or less than original cost. The fees and expenses charged within the strategy may offset its total return. Exposure to currency fluctuations may have an impact on such strategy's cash flow and asset values denominated in the currency of domicile. The use of leverage could increase the risks of an investment. Portfolio investments may be subject to high levels of regulation which could result in risks related to delays in obtaining relevant permits or approvals. Investors should be aware that there will be instances where the Fiera Capital entities and/or their clients will experience actual conflicts of interest associated with the management of one or more strategies.