

Fiera Capital Global Asset Allocation

MONTHLY UPDATE: MARCH 2022



Jean-Guy Desjardins

Executive Chairman of the Board
& Co-Lead Global Asset Allocation



Candice Bangsund, CFA

Vice President &
Co-Lead Global Asset Allocation

Financial markets swung wildly in February as unnerved investors contemplated the escalating conflict between Russia and Ukraine, which exacerbated market jitters about soaring inflation, a looming monetary policy tightening cycle, and concerns over slowing economic growth. Geopolitical tensions intensified late in the month as Russia's attack on Ukraine sent investors fleeing from risk assets and raised worries regarding the economic hit from resulting sanctions, which added to an already-tumultuous financial market backdrop.

FINANCIAL MARKET DASHBOARD				
	FEB. 28, 2022	FEB.	YTD	1 YEAR
EQUITY MARKETS		% PRICE CHANGE (LC)		
S&P 500	4374	-3.14%	-8.23%	14.77%
S&P/TSX	21126	0.13%	-0.45%	16.98%
MSCI EAFE	2179	-1.95%	-6.72%	0.47%
MSCI EM	1171	-3.06%	-4.93%	-12.54%
FIXED INCOME (%)		BASIS POINT CHANGE		
U.S. 10 Year Treasury Yield	1.83	4.8	31.5	42.0
U.S. 2 Year Treasury Yield	1.43	25.4	70.0	130.5
U.S. Corp BBB Spread	1.56	21.0	35.0	46.0
U.S. Corp High Yield Spread	3.77	27.0	107.0	92.0
CURRENCIES		% PRICE CHANGE		
CAD/USD	0.79	0.28%	-0.27%	0.52%
EUR/USD	1.12	-0.14%	-1.33%	-7.09%
USD/JPY	115.00	-0.10%	-0.07%	7.91%
COMMODITIES		% PRICE CHANGE		
WTI Oil (USD/bbl)	95.72	8.59%	27.27%	55.64%
Copper (USD/pound)	4.44	2.77%	-0.43%	8.55%
Gold (USD/oz)	1900.70	5.89%	3.94%	9.94%

Global equity markets were whipsawed in February and the MSCI All Country World slipped -2.7%. Not surprisingly, emerging market equities underperformed their developed market peers, with notable weakness stemming from emerging Europe. Meanwhile, speculation that the conflict will amplify inflation dynamics and fuel an aggressive pace of Federal Reserve monetary policy tightening pushed the S&P 500 into correction terrain, while international developed stocks also stumbled lower. By contrast, the S&P/TSX held firm and handily outperformed its global peers, thanks to robust returns in the heavyweight resource (energy, materials) sectors.

Fixed income markets also generated negative results in February. Yield curves flattened in a bearish fashion, with short-term yields rising by more than their long-term counterparts on wagers that aggressive policy normalization in response to a four-decade high in US inflation will slow the recovery. The two-year treasury yield rose 25 basis points to 1.43%, while the ten-year yield rose by a more modest 5 basis points to 1.83%. Similar moves were seen in Canada, with the two-year government bond yield rising 16 basis points to 1.44%, while the ten-year yield rose by 4 basis points to 1.81%. Meanwhile, credit spreads widened substantially as risk aversion took hold, and government bonds outperformed their corporate peers. For the month, the Barclays US Aggregate Bond index declined -1.1%, while the FTSE Canadian Bond Universe lost -0.7%.

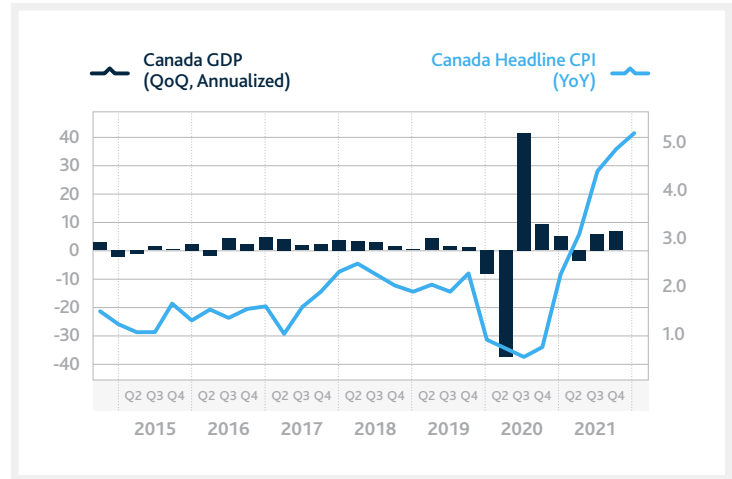
The US dollar advanced as the deterioration in risk appetite saw investors flock to the safe haven currency. The Canadian dollar managed to strengthen against a boisterous greenback, with surging oil prices underpinning the loonie. By contrast, both the euro and the pound weakened as investors scaled back their wagers for rate hikes from both the European Central Bank and the Bank of England.

Finally, commodity prices rallied the most since 2009 as traders contemplated the fraught geopolitical landscape and an array of supply risks triggered by Russia's invasion of Ukraine, which threatens key supplies of energy, crops, and metals. Crude oil soared higher on fears of curtailed supplies from the world's second biggest crude exporter, which comes at a time when the global oil market was already extremely tight. Agricultural markets also performed strongly, with wheat and soybean prices rising by double-digits. Meanwhile, gold capped its biggest monthly gain since last May as the raft of penalties against Russia raised concerns over the impact on global growth and boosted demand for the safe haven metal.

Economic Overview

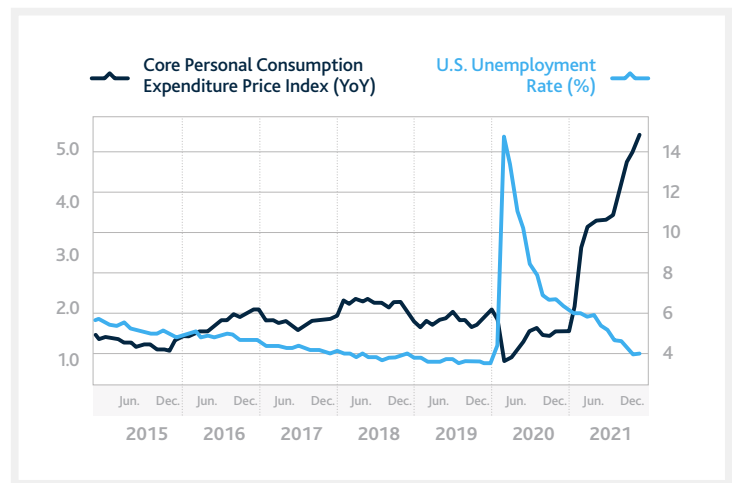
CANADA

The Canadian economy ended 2021 on an upbeat note and expanded by a stronger-than-expected 6.7% q/q annualized in the fourth quarter. A strong domestic economy and firm pricing pressures have paved the way for the Bank of Canada to begin normalizing monetary policy, particularly given that the economy has already run-up against its capacity limits and no longer needs emergency-era monetary stimulus. Indeed, the Bank of Canada lifted its policy rate by 25 basis points to 0.50% in early March and set the stage for a series of rate hikes in the coming year. It goes without saying that the war in Ukraine has produced fresh uncertainties for the economic outlook. However, while higher prices for energy products, potash, and grain will add to inflationary pressures facing consumers, they will also act as an economic tailwind given that Canada is a significant producer of these commodities. Consequently, the Russian invasion of Ukraine is unlikely to alter the Bank of Canada's plans to normalize policy.



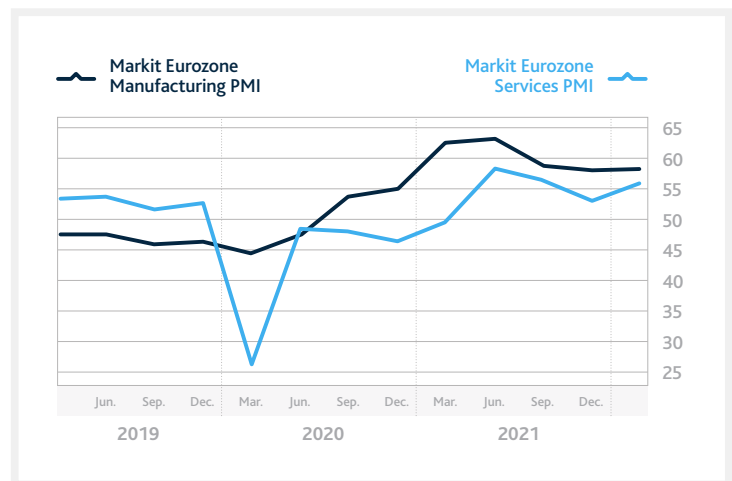
UNITED STATES

Pricing pressures in the United States showed little sign of abating early-on in 2022, with the core personal consumption expenditure (PCE) deflator (the Federal Reserve's preferred indicator) accelerating 5.2% y/y in January, the fastest rate in nearly 40 years. In response, Chair Powell said that he supports a 25 basis point rate increase in March and called for a series of rate hikes to counter the highest inflation in four decades, though he refrained from ruling out larger rate hikes should inflation remain stubbornly elevated. Still, Chair Powell repeated his expectation that inflation will decline over the course of the year as supply constraints ease and as demand cools in the wake of waning fiscal support and higher interest rates. Moreover, given that economic impacts of the Russia-Ukraine conflict are "highly uncertain" he said the Fed will need to be attentive to incoming data and be nimble, while pledging to proceed cautiously and carefully so as to engineer a soft landing for the world's largest economy.



INTERNATIONAL

According to the latest purchasing manager indices (PMI) for developed markets, the European economy bounced back in February as a decline in Covid cases rejuvenated confidence and demand. However, the near-term outlook remains fraught with uncertainty, with activity in Europe likely to suffer the brunt of a protracted geopolitical conflict between Russia and the Ukraine. Notably, the escalation in the crisis has particular consequences for the European economy given its proximity to Russia and Ukraine. While ongoing tensions are likely to spur a decline in business and consumer confidence across Europe, surging natural gas and electricity prices will also weigh on consumers' purchasing power. Moreover, lingering questions remain as to the magnitude and length of sanctions and their ensuing economic impacts, both in Europe and globally as well. Consequently, downside risks for the global economy have risen in the near-term, with a slowdown in Europe and a steep recession in Russia risking potential spillover effects for other major trading partners around the globe.



Economic Scenarios



Main Scenario | Reflation

Probability **50%**

Our base case scenario calls for the global economy to grow at an above-trend pace through 2022, without the fear of an aggressive and destabilizing monetary policy tightening event. The global economic recovery lingers-on, even in the wake of sporadic virus outbreaks. While COVID dynamics weigh on activity in the near-term, the recovery ultimately resumes as the latest virus wave subsides, activity continues to normalize, and pent-up savings are unleashed. Meanwhile, both cyclical and secular forces keep inflation elevated, which prompts central banks to dial-back on their emergency-era support. However, despite inflation pressures proving more persistent than initially thought, inflation expectations remain generally well-anchored, which allows policymakers to proceed cautiously and pragmatically in normalizing monetary policy. Central bank asset purchases are scaled-down through 2022, and both the Federal Reserve and Bank of Canada begin the gradual rate normalization process given that their respective economies will be operating at or near full potential and output gaps will soon be closed. By contrast, central banks in Europe, Japan, and China decouple from this policy trajectory and maintain an extremely stimulative monetary policy stance over the coming year. Still, the North American policy transition from extremely stimulative towards a neutral stance occurs progressively over several years, extending the longevity and visibility of the economic cycle.

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 prove much stickier than previously assumed and de-anchors inflation expectations, with global economic prospects subsiding amid the fallout as a more aggressive tightening trajectory to combat runaway prices ends the cycle prematurely. Specifically, the near-term spike in pricing pressures proves more enduring than expected, and lasts long enough to become embedded in inflation expectations and ultimately triggers a wage-price spiral. 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. The subsequent rise in input costs and the rapid buildup in wages cuts into the profitability of corporations and consumers struggle to maintain their purchasing power. In response, policymakers abandon their perceived tolerance for higher inflation and act aggressively to stem the inflationary spiral. This assertive and hawkish-leaning policy adjustment sparks a deceleration in global growth to below-potential levels. The stagnation in global growth occurs concurrently with an acceleration in inflation and tighter monetary policy, creating a tumultuous financial market landscape whereby both equities and bonds experience declines amid a marked deterioration in the macroeconomic landscape.

Scenario 3 | Recession

Probability **10%**

Another wildcard continues to be the emergence of highly-transmissible COVID-19 variants that risk derailing the global economic recovery. In this scenario, the pandemic proves more severe and persistent than anticipated given the predominance of variants in future contagion. The risk is that more variants emerge given that a substantial part of the world population remains unvaccinated and amid uncertainty about the effectiveness of existing vaccines in fighting these new variants. At the same time, vaccine hesitancy in some parts of the world creates a hurdle to reaching herd immunity and fully eradicating COVID-19. As it takes longer to gain control over the propagation of the virus, confinement and mitigation efforts from governments are reinstated and social distancing behaviours linger-on, while health fears prompt some reluctance from consumers and businesses to re-engage fully - which ultimately delays the return to normal and fuels a steep contraction in growth.

Forecasts for the Next 12-18 Months



SCENARIOS	FEBRUARY 28, 2022	REFLATION	STAGFLATION	RECESSION
PROBABILITY		50%	40%	10%
GDP GROWTH 2022				
Global	4.30%	5.00%	3.50%	-4.50%
Canada	3.80%	4.50%	1.50%	-5.00%
U.S.	3.70%	4.25%	1.50%	-3.50%
GDP GROWTH 2023				
Global	3.60%	3.50%	2.50%	1.00%
Canada	3.10%	2.00%	1.50%	-1.00%
U.S.	2.50%	2.00%	1.00%	-1.00%
INFLATION (HEADLINE Y/Y)				
Canada	5.10%	3.50%	4.50%	0.50%
U.S.	7.50%	3.50%	4.50%	0.50%
SHORT-TERM RATES				
Bank of Canada	0.25%	1.00%	1.75%	0.25%
Federal Reserve	0.25%	1.00%	1.75%	0.25%
10-YEAR RATES				
Canada Government	1.81%	2.50%	3.50%	0.50%
U.S. Government	1.83%	2.50%	3.50%	0.50%
PROFIT ESTIMATES (12 MONTHS FORWARD)				
Canada	1385	1350	1150	850
U.S.	227	220	205	150
EAFE	161	155	145	90
EM	98	100	90	55
P/E (FORWARD 12 MONTHS)				
Canada	15.3X	17.0X	16.0X	15.0X
U.S.	19.3X	20.0X	19.0X	16.0X
EAFE	13.6X	15.0X	14.5X	14.0X
EM	12.0X	13.5X	12.5X	12.0X
CURRENCIES				
CAD/USD	0.79	0.93	0.87	0.65
EUR/USD	1.12	1.25	1.15	1
USD/JPY	115	100	105	110
COMMODITIES				
Oil (WTI, USD/barrel)	95.72	105	95	35
Gold (USD/oz)	1900.7	1800	1900	2100

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	REFLATION	STAGFLATION	RECESSION
PROBABILITY	50%	40%	10%
TRADITIONAL INCOME			
Money Market	0.6%	1.0%	0.3%
Canadian Bonds	-2.5%	-6.3%	9.7%
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	8.6%	-12.9%	-39.6%
U.S. Equity Large Cap	-8.8%	-17.3%	-33.4%
International Equity	-3.2%	-10.4%	-29.8%
Emerging Market Equity	4.5%	-10.8%	-31.6%
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%	5%	0%
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%	45%	+20%

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%

Evolution of Value-Added¹



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.

Evolution of Strategy

	Money Market	Canadian Bonds	Canadian Equity	U.S. Equity	International Equity	Emerging Market Equity	Non-traditional Income
January 1, 2006	+20%	-16%	-8%	+6%	-2%		
February 17, 2006	+16%	-10%	-10%	+6%	-2%		
April 4, 2006	+10%	-10%	0%	0%	0%		
May 9, 2006	+4%	-10%	+2%	+2%	+2%		
June 21, 2006	0%	-10%	+2%	+2%	+6%		
July 19, 2006	-10%	0%	+2%	+2%	+6%		
December 6, 2006	0%	-10%	+2%	+2%	+6%		
January 1, 2007	+5%	-10%	0%	+2%	+3%		
February 22, 2007	-5%	0%	0%	+2%	+3%		
March 9, 2007	0%	0%	-3%	0%	+3%		
June 29, 2007	0%	0%	-6%	-4%	+10%		
September 29, 2007	+6%	0%	-6%	-4%	+4%		
January 10, 2008	+12%	0%	-6%	-4%	-2%		
March 1, 2008	+16%	0%	-6%	-4%	-6%		
September 20, 2008	+8%	0%	-3%	-2%	-3%		
March 9, 2009	+8%	-8%	0%	0%	0%		
June 8, 2009	+8%	+2%	-4%	-3%	-3%		
December 9, 2009	+15%	-5%	-4%	-3%	-3%		
May 6, 2010	+15%	-15%	0%	0%	0%		
December 13, 2010	+10%	-15%	5%	0%	0%		
April 7, 2011	+10%	-10%	0%	0%	0%		
July 4, 2011	+10%	-15%	+5%	0%	0%		
August 10, 2011	+5%	-15%	+5%	+5%	0%		
October 5, 2011	+7%	-15%	+8%	0%	0%		
October 12, 2011	+6%	-10%	+4%	0%	0%		
November 11, 2011	+5%	0%	0%	0%	-5%		
December 7, 2011	0%	0%	+5%	0%	-5%		
April 20, 2012	+15%	-20%	+10%	0%	-5%		
July 31, 2012	+20%	-15%	0%	0%	-5%		
November 9, 2012	+10%	-15%	+10%	0%	-5%		
February 19, 2013	+5%	-15%	+10%	0%	0%		
August 6, 2013	0%	-15%	+10%	+5%	0%		
December 3, 2013	+10%	-15%	+5%	0%	0%		
February 5, 2014	0%	-15%	+10%	+10%	-5%		
October 14, 2014	0%	-20%	+5%	+10%	+5%		
November 14, 2014	+10%	-20%	+2.5%	+2.5%	+5%		
July 13, 2015	0%	-20%	+7%	+4%	+9%		
October 19, 2015	0%	-20%	+11%	0%	+9%		
June 24, 2016	+9%	-20%	+11%	0%	0%		
July 12, 2016	0%	-20%	+15%	0%	0%	+5%	
July 27, 2016	+5%	-20%	+12.5%	0%	0%	+2.5%	
October 31, 2016	0%	-20%	+12.5%	0%	0%	+7.5%	
April 5, 2017	+5%	-15%	+7.5%	0%	-5%	+7.5%	
December 6, 2017	+15%	-15%	+5%	-5%	-5%	+5%	
October 9, 2018	+15%	-15%	+5%	-10%	-5%	+10%	
November 9, 2018	0%	-20%	+5%	-10%	-5%	+10%	+20%
December 17, 2018	-5%	-20%	+5%	-5%	-5%	+10%	+20%
July 12, 2019	-5%	-20%	+5%	0%	-5%	+10%	+15%
March 24, 2020	0%	-15%	0%	0%	0%	0%	+15%
July 8, 2020	-5%	-20%	+10%	0%	0%	0%	+15%
March 11, 2021	-5%	-20%	+15%	-5%	0%	0%	+15%
August 2, 2021	+5%	-20%	+15%	-10%	-5%	0%	+15%
March 4, 2022	0%	-20%	+15%	-10%	-5%	0%	+20%

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 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](#).