Fiera Capital Global Asset Allocation

MONTHLY UPDATE: APRIL 2022

Jean-Guy Desjardins

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

Candice Bangsund, CFA

Vice President &
Co-Lead Global Asset Allocation

Sentiment remained fragile in March as the Russia-Ukraine war continued to reverberate through financial markets, with investors contemplating its impacts on the global economy, inflation, and central bank policy. While fixed income markets extended their selloff, global equity markets managed to recover from the lows following Russia's invasion of Ukraine, though questions remain about the durability and sustainability of the equity market rally given the combination of surging inflation, the prospect for an aggressive path to monetary policy normalization, and ongoing geopolitical tensions.

FINANCIAL MARKET DASHBOARD

	MARCH 31, 2022	MARCH	YTD	1 YEAR
EQUITY MARKETS		% PRICE CHANGE (LC)		
S&P 500	4530	3.58%	-4.95%	14.03%
S&P/TSX	21890	3.62%	3.14%	17.06%
MSCI EAFE	2182	0.12%	-6.61%	-1.21%
MSCI EM	1142	-2.52%	-7.32%	-13.27%
FIXED INCOME (%)		BASIS POINT CHANGE		
U.S. 10 Year Treasury Yield	2.34	51.3	82.8	59.8
U.S. 2 Year Treasury Yield	2.33	90.2	160.2	217.4
U.S. Corp BBB Spread	1.57	1.0	36.0	47.0
U.S. Corp High Yield Spread	3.62	-15.0	92.0	113.0
CURRENCIES		% PRICE CHANGE		
CAD/USD	0.80	1.32%	1.05%	0.43%
EUR/USD	1.11	-1.35%	-2.66%	-5.65%
USD/JPY	121.70	5.83%	5.75%	9.92%
COMMODITIES		% PRICE CHANGE		
WTI Oil (USD/bbl)	100.28	4.76%	33.33%	69.51%
Copper (USD/pound)	4.75	6.90%	6.44%	18.91%
Gold (USD/oz)	1949.20	2.55%	6.60%	13.74%

Global equity markets regained some ground in March, with the MSCI All Country World rising 1.9%. Although the S&P 500 capped its worst quarterly decline since 2020, the index staged a healthy rebound last month as investors stepped-in to buy the dip. Meanwhile, the S&P/TSX posted its biggest monthly gain since October, with the boom in commodity prices sparking outperformance in the heavyweight resources space. Looking abroad, euro area stocks performed poorly on the back of economic risks facing the region due to the war in Ukraine. Finally, emerging markets were trampled, with Chinese equities seeing some notable weakness amid concerns about the economic impacts of COVID-19 lockdowns at a time of already softening domestic demand.

Fixed income markets once again generated negative results amid heightened inflation pressures globally. Global bond yields shifted higher in response to the hawkish pivot at central banks, with policymakers prioritizing price stability even in the wake of lingering geopolitical angst. As expected, the Federal Reserve raised rates by 25 basis points in March. However, officials delivered a hawkish surprise and confirmed that policy will be tightened aggressively to rein-in persistently elevated inflation. Yield curves flattened, with shorter-term yields rising by more than their longer-dated peers as traders ramped-up their wagers for faster rate hikes. The two-year treasury yield rose by a massive 90 basis points to 2.33%, while the ten-year treasury yield rose by 51 basis points to 2.34%. Similar moves were seen in Canada after the Bank of Canada lifted-off in March and a senior official called for policymakers to "act forcefully" to quell decades-high inflation. The FTSE Canada Bond Universe was down -3.0% in March, while the Barclays US Aggregate lost -2.8%.

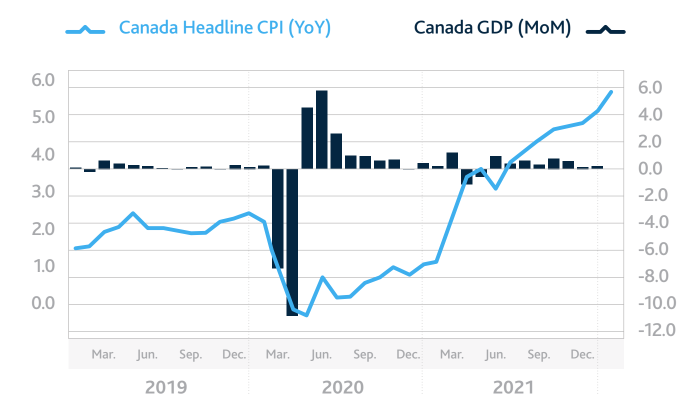
The US dollar strengthened as increasingly hawkish undertones among Federal Reserve officials boosted the yield appeal of the greenback. The Canadian dollar managed to rise even in the wake of a broadly stronger US dollar, with bullish moves in commodity markets buttressing the commodity-oriented currency.

Crude oil markets swung wildly as traders assessed the highly uncertain geopolitical landscape and the implications for energy supplies at a time when market conditions are already very tight. Still, crude ended the month higher, but pared some of those gains at month-end after President Biden ordered an unprecedented release of crude from the Strategic Petroleum Reserve in an effort to tame rampant prices. Finally, gold advanced as investors weighed the fallout from Ukraine war, while concerns over accelerating inflation also saw traders bid-up bullion prices.

Economic Overview

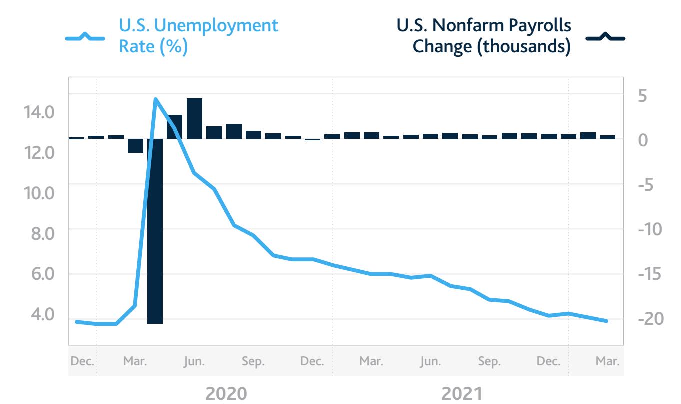
CANADA

The Canadian economy proved surprisingly resilient in the wake of the omicron-wave in early 2022. The economy managed to expand 0.2% m/m in January, while Statistics Canada's estimate of 0.8% m/m for February reveals that the recovery is in full swing. Meanwhile, consumer price inflation accelerated to 5.7% y/y in February, marking the highest rate in over 30 years - while the average of the three Bank of Canada core measures rose to 3.3% y/y, the same record as the headline. In response, the Bank of Canada raised its overnight rate by 25 basis points to 0.50%, its first hike since 2018. The Bank also signaled that more rate hikes are forthcoming as it starts to wrestle inflation down from a three-decade high. The solid economic performance and intensifying inflationary pressures have reinforced expectations for the Bank of Canada to embark on an aggressive tightening cycle. In a recent speech, Deputy Governor Kozicki vowed to "act forcefully" to quell inflation, and reiterated the Bank's "unwavering commitment" to combatting inflation.



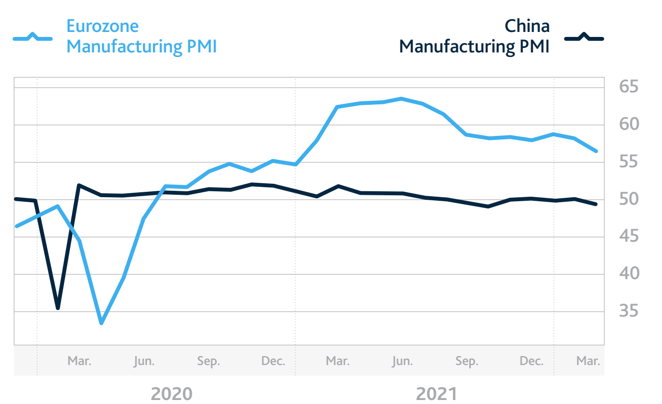
UNITED STATES

The U.S. labor market saw some healthy momentum in March. The economy added 431k jobs, while the upward revisions to the last two months were meaningful at an additional 95k jobs. Meanwhile, the unemployment rate edged lower to 3.6% (near its pre-pandemic low), while average hourly earnings accelerated to 5.6% y/y. The solid employment backdrop solidifies expectations for expedited policy tightening from the Federal Reserve, and at the same time suggests that the economy will be able to withstand higher interest rates given robust labor market conditions. In a speech last month, Chair Powell was surprisingly candid in vowing to move "expeditiously" to bring the fastest inflation in forty years under control. He also signalled that rate hikes may not be limited to quarter-point moves, saying the central bank is prepared to raise interest rates faster if necessary. While Americans are certainly feeling the pinch from higher prices, continued strength in the labour market and excess savings should provide many households the wherewithal to keep spending.



INTERNATIONAL

The global manufacturing purchasing manager indices (PMI) for March underscored the looming threat of stagflation stemming from the war in Ukraine and COVID-19 lockdowns in China that are exacerbating already-elevated inflationary pressures and dampening growth. The Eurozone factory gauge slowed in March, highlighting the negative implications stemming from the Ukraine war given Europe's trade linkages and its heavy reliance on Russian energy. Indeed, factories across the continent are facing supply chain interruptions, rising input costs, and ebbing export demand. Meanwhile, China's manufacturing PMI fell into contractionary terrain in March. While the property slump lingers-on, a severe omicron outbreak is sweeping across the country and has prompted strict containment measures, adding to already subdued domestic demand conditions. Against this backdrop, policymakers have stepped-up and have pledged to implement measures to stimulate the nation's flagging economy with a goal of attaining 5.5% growth in 2022. In mid-March, China's top economic official Vice Premier Liu He provided assurance that policymakers will implement measures to stimulate the Chinese economy and support capital markets.



Economic Scenarios

Main Scenario | Stagflation

Probability **55%**

Our base case economic scenario calls for a period of "stagflation" – a toxic combination of slowing global growth and accelerating prices. This scenario assumes that inflationary pressures prove much stickier than previously assumed and last long enough to become embedded in inflation expectations, with global economic prospects subsiding amid the fallout. While inflation was already stubbornly elevated given the swift post-pandemic recovery and tight capacity conditions, this scenario has been exacerbated by the geopolitical escalation between Russia and Ukraine, which has boosted commodity prices and added to supply-chain dislocations that risks stoking inflationary pressures that will be more long-lasting. 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 so-called "transitory" narrative and act aggressively to stem the inflationary spiral, even in spite of decelerating growth prospects stemming from the Ukraine war. This assertive and hawkish-leaning policy adjustment adds to the deceleration in global growth to below-potential levels, though outright contraction is avoided.

Scenario 2 | Recession

Probability **35%**

In this worst-case scenario, escalating geopolitical tensions push the notion of stagflation into a full-blown recession as central bank anxiety triggers an overly-aggressive monetary tightening event that ends the cycle prematurely. Specifically, central banks wait too long to address mounting price pressures and inflation expectations de-anchor, which forces central banks to slam on the breaks and tighten monetary policy too far, too fast (above neutral) - which inadvertently pushes the economy into recession. The shock to confidence becomes self-fulfilling in that consumers ramp-up their precautionary savings and refrain from spending, while businesses shelve plans for investment. Substantial financial market volatility ensues and unrelenting uncertainty creates a negative feedback loop which weighs heavily on both confidence and spending. Another wildcard continues to be the emergence of highly-transmissible COVID-19 variants that risk derailing the global economic recovery. China is currently experiencing a severe omicron outbreak that has prompted lockdowns that could deal a severe blow to the domestic economy and global demand.

Scenario 3 | Soft Landing

Probability **10%**

In the "goldilocks" soft landing scenario, central bankers ultimately prove successful at reining-in decades high inflation, but not so much as to trigger an outright contraction in gross domestic product and a rise in unemployment. Still, growth slows, but remains above-trend. Should the conflict between Russia and Ukraine de-escalate in a timely manner, both commodity prices and supply chain bottlenecks would certainly ease. Inflation expectations would remain generally well-anchored, allowing policymakers to assume a measured approach to normalizing monetary policy without upending the economic expansion. That being said, increased stagflationary risks make central banks' intention to engineer a soft landing a challenge, particularly in light of the ongoing hostilities between Russia and Ukraine.

Forecasts for the Next 12-18 Months

SCENARIOS	MARCH 31, 2022	STAGFLATION	RECESSION	SOFT LANDING
PROBABILITY		55%	35%	10%
GDP GROWTH 2022				
Global	4.00%	2.50%	2.00%	4.00%
Canada	3.90%	2.50%	1.50%	3.80%
U.S.	3.40%	2.00%	1.00%	3.50%
GDP GROWTH 2023				
Global	3.50%	3.50%	1.50%	3.50%
Canada	2.80%	1.50%	0.00%	2.50%
U.S.	2.10%	1.00%	-1.00%	2.00%
INFLATION (HEADLINE Y/Y)				
Canada	5.70%	8.00%	7.00%	6.00%
U.S.	7.90%	9.00%	8.00%	7.00%
SHORT-TERM RATES 2022				
Bank of Canada	0.50%	2.50%	3.00%	2.00%
Federal Reserve	0.50%	2.50%	3.00%	2.00%
SHORT-TERM RATES 2023				
Bank of Canada	0.50%	3.50%	4.50%	3.00%
Federal Reserve	0.50%	4.50%	5.00%	3.00%
10-YEAR RATES				
Canada Government	2.41%	3.50%	4.00%	3.00%
U.S. Government	2.34%	3.50%	4.50%	3.20%
PROFIT ESTIMATES (12 MONTHS FORWARD)				
Canada	1443	1400	850	1450
U.S.	231	225	150	250
EAFE	156	160	90	165
EM	92	90	55	95
P/E (FORWARD 12 MONTHS)				
Canada	15.2X	15.5X	14.0X	17.0X
U.S.	19.6X	18.5X	17.0X	20.0X
EAFE	14.0X	13.0X	12.0X	14.5X
EM	12.4X	12.0X	11.0X	13.0X
CURRENCIES				
CAD/USD	0.80	0.85	0.70	0.90
EUR/USD	1.11	1.15	1.00	1.20
USD/JPY	121.70	110.00	115.00	100.00
COMMODITIES				
Oil (WTI, USD/barrel)	100.28	90	60	95
Gold (USD/oz)	1949.20	1900	2100	1800

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 (CAD)

SCENARIOS	STAGFLATION	RECESSION	SOFT LANDING
PROBABILITY	**55%**	**35%**	**10%**
TRADITIONAL INCOME			
Money Market	1.5%	1.8%	1.3%
Canadian Bonds	-5.1%	-7.4%	-1.9%
NON-TRADITIONAL INCOME			
Diversified Credit	7.0%	5.0%	8.0%
Diversified Real Estate	7.0%	4.0%	8.0%
Infrastructure	6.5%	5.0%	7.5%
Agriculture	7.5%	6.0%	8.5%
TRADITIONAL CAPITAL APPRECIATION			
Canadian Equity Large Cap	-0.9%	-45.6%	12.6%
U.S. Equity Large Cap	-13.6%	-35.7%	-2.0%
International Equity	-10.3%	-43.5%	-2.6%
Emerging Market Equity	-11.0%	-39.5%	-3.9%
NON-TRADITIONAL CAPITAL APPRECIATION			
Private Equity	12.0%	5.0%	15.0%
Liquid Alternatives	5.0%	0.0%	7.0%
CAD/USD	0.85	0.70	0.90

Current Strategy[1]

TRADITIONAL AND NON-TRADITIONAL PORTFOLIOS

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

TRADITIONAL PORTFOLIOS

	MINIMUM	BENCHMARK	MAXIMUM	STRATEGY	+/-
TRADITIONAL INCOME	**20%**	**40%**	**60%**	**40%**	**0%**
Money Market	0%	5%	25%	10%	+5%
Canadian Bonds	5%	35%	55%	30%	-5%
TRADITIONAL CAPITAL APPRECIATION	**40%**	**60%**	**80%**	**60%**	**0%**
Canadian Equity Large Cap	5%	25%	50%	40%	+15%
U.S. Equity Large Cap	0%	15%	30%	5%	-10%
International Equity	0%	15%	30%	10%	-5%
Emerging Market Equity	0%	5%	15%	5%	0%

Evolution of Value-Added[1]

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-traditioal 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%

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

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

info@fieracapital.com

fiera.com

Europe

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

Asia

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