

Private Alternatives Strategies Responding to Market Irregularities

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COVID
19



Fiera Capital's portfolio managers have been diligently monitoring the outbreak of the COVID-19 virus and its ongoing impact on global financial markets. While the public markets have been in the spotlight due to the exceptional losses, private market investments are not unsusceptible to the major changes taking place, such as the fall in commodity prices and interest rates. That said, Fiera Capital's Private Alternative teams manage their mandates with a long-term outlook, and as such, have built portfolios that are capable of withstanding temporary market dislocations. Strong covenants, trusted relationships, deep underwriting analysis, disciplined monitoring and thorough experience in their asset classes are the tools that our managers use to build strong portfolios.

In the short term, we can expect more volatility than we typically see in Private Alternatives, with a higher probability of impacts on reliable income streams and net asset valuations for our long-term investments and some delays in term of capital deployment. In the medium to long term, income streams and total returns in general should be relatively stable and back to normal, depending on the length of the current situation. Patience, monitoring, and not allowing panic to set in are the key elements. We are reassured that our investment teams are closely monitoring their investments, partners and borrowers to ensure that they have proper business continuity plans in place and contingencies to ensure operations continue, and will work intensively to assess any impact from the downturn or potential recession.

Below, our Private Alternatives managers detail how their portfolios are positioned to deal with the current market dynamics and what steps have been and are being taken to ensure they are well-capitalized and positioned to weather this economic storm.

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— Corporate and Infrastructure Strategy

Crude oil and natural gas prices have been highly volatile over the past 5 years, causing significant instability within those respective markets. Our investment approach during this period for both industries has been one of extreme diligence. We implemented robust covenants; ensured that borrowers were well capitalized; periodically assessed our collateral; and we ensured that management was experienced and had the skill set needed to navigate troubled waters. With OPEC's failure to strike a deal to cut production along with the growing challenges relative to the containment of the Coronavirus outbreak, robust risk assessment and monitoring has been even more essential. Among our priorities is the assessment of those investments which are exposed to the Energy sector (specifically Oil & Gas sector).

Every deployed asset is reviewed on a quarterly basis. The analysis includes an assessment of the borrower's financial performance, a review of the borrower's adherence to the outlined terms and conditions and commentary on the borrower's continuing payment ability. For certain investments, assessments may be done on a monthly basis or even more frequently if deemed necessary. Moreover, stress-testing is done periodically to ensure the borrower's ability to service the debt while also allowing us to predict future cash flow needs that might arise in a market downturn.

Although there is currently a high level of uncertainty regarding the industry, our investment strategy focuses on investment-grade type (credit metrics) companies as we continue to aim for top performers within those sectors. Our borrowers are characterized as having strong financial track records while also being supported by a large equity base. We believe management is strong and business strategies are well defined.

Six of our borrowers are directly or indirectly exposed to the Energy industry within the following sub-sectors: Oil & Gas Exploration & Production, Energy Equipment & Services, Green Energy and Oil & Gas Services. We've calculated the Debt Service Coverage Ratio (DSCR) which indicates, in its simplest form, if the funds generated by a company in the course of its activities are sufficient to cover its short-term obligations. We have used 3 scenarios of a decrease in EBITDA of 15%, 25% and 35%. Our debt servicing calculations have been assessed conservatively as we did not account for any adjustments that might inflate our EBITDA. The DSCR stands above 1.00:1 for those six borrowers even under the worst-case scenario. Liquidity is considered adequate in most

cases as cash & cash equivalents represent between 1 month and up to 3 years of short-term obligations. Moreover, it is important to note that most of those borrowers have access to operating facilities (revolving facilities) which would help absorb any cash flow deficit.

We have instituted a plan to reach out to all our current borrowers to seek their views on changes to budgets and business plans, potential impact or risk to supply chains for our manufacturing borrowers and to cash flow and budgets for borrowers in Western Canada. Our plan is to collect their thoughts along with the most recent forecasts by the end of March.

Finally, we are also looking for evidence of a pullback in the banking industry that would positively impact our inbound calls for higher quality borrowers with more immediate needs for financing.

Fiera Private Debt Team

— Business Financing Strategy

Recent events related to the national rail blockades associated with the Transatlantic Pipeline project, the squabble over oil strategy which consequently led to a historic drop in prices, and the outbreak of the coronavirus which is yet to be controlled, have led us to conduct interim stress testing analysis on our exposed assets within the Business Financing portfolio.

The strategy is characterized by short term investments ranging between 3 and 24 months that are to be used for working capital needs, business growth, acquisitions, business transfers and other short-term needs of small to mid-market companies. Loans are of interest-only nature with a full payout expected at term end. Industry exposure is diversified and ranges from Retail and Manufacturing to Professional Services and Transportation. Covenants in place usually relate to debt-servicing capacity, leverage position via a funded Debt/EBITDA calculation and lastly, operating performance via a percentage of projected EBITDA target or a 3 month trailing EBITDA covenant.

We oversee and mitigate risk exposure within two laid out processes. First, pre-funding activities consist of in-depth credit analysis, ESG examination and compliance testing, due diligence on management, thorough analysis on the projected exit strategy, enactment of covenants and reporting requirements and lastly, a thorough evaluation of all collateral. Second is post-funding, which includes monthly reporting on financial information, testing of covenants, update on collateral values and lastly, a reassessment of the exit strategy.

We have completed a stress-test of our portfolio by considering: 1) a company's debt-servicing capacity while taking into account a market downturn where EBITDA would be affected by 15%, 25% and 35%; and 2) tested the liquidity positions of our clients to determine whether they had the means to support operations through tough times by looking at the average cash on hand and working capital ratio for a trailing 12 months. It is also worth noting that a large percentage of our loans are supported by immovable assets which have historically gained value during market crises or other tangible securities. We also have the option to re-amortize our loans based on the remaining useful lives of the assets held as security to allow companies the time needed to execute their exit strategies.

We do not have significant exposure to import/export companies, but we do have some co-mingling in the U.S.

market for a few borrowers. Our conclusion following the stress-test is that approximately 60% of our borrowers would survive to the worst-case scenario (35%) and still be able to generate enough cash flows to cover debt servicing. The other 40% would experience a deficit in debt servicing that could, however, be absorbed by cash injections from different sources or the sale of some assets. It is important to note that most of those files are partially or fully secured by solid tangible securities.

We have no direct or indirect exposure to the Oil & Gas sector in the Business Financing portfolio. Some of our borrowers operate in the Retail industry and problems could eventually emerge due to COVID-19. That is why we closely monitor this industry. Perhaps most disrupted is the supply chain, as factories shutter within China. Companies that have a high percentage of online sales will be largely advantaged as consumers avoid brick-and-mortar stores. On the other hand, our borrowers that operate in the Transportation/Trucking sector are doing very well as trucks represent a substitute to planes, boats and trains. Moreover, fuel represents one of their biggest costs and it is currently at a very low level due to the recent drop.

In our opinion, if COVID-19 continues to spread, it will be problematic for companies with labour shortages, diminished demand and the resulting impact on cash flows so the coming months will be extremely important and close monitoring of the investments will be key. Based on discussions with our borrowers, there is no sign currently that our position has changed materially but we are paying close attention.

Finally, some opportunities will certainly arise due to the potential pull back in the banking industry. Our position is to stay focused on the companies we have funded and stay keenly aware of our surroundings for new opportunities.

Fiera Private Debt Team

— Real Estate Financing Strategy

Recent events related to the national rail blockades associated with the Transatlantic Pipeline project, the squabble over oil strategy which consequently led to a historic drop in prices, and the outbreak of the Coronavirus which is yet to be controlled have led us to identify what impact these events would have on the Real Estate Financing portfolio, if any.

The strategy is characterized by short term investments ranging between 12 and 24 months that are to be used mainly for the construction of residential projects, land financing and retrofit residential rental properties. By nature, this permits the management team to react quickly and adjust conditions rapidly with all new opportunities. Our geographic exposure is concentrated in the Province of Quebec (60%) and the Province of Ontario (40%). Our portfolio of \$530 million dollars is divided over 185 loans, with no outstanding amount over \$20 million.

For the past 10 years, we have built a robust portfolio with higher quality borrowers. Our underwriting always stress tests for 2 major items: strong sponsorship that can support the project in case of a tough situation, and a realistic exit strategy using different scenarios, i.e. increasing the rate, lowering the expected revenue, increasing the expenses.

It is our opinion that the Real Estate Financing portfolio is under no undue pressure regarding recent events. We will continue monitoring the situation closely and will still be very proactive to adapt should anything change.

Fiera Private Debt Team



— Agriculture

Historically, the performance of land-based agriculture investments during periods of financial instability has tended to be relatively stable (when compared to other asset classes). This is underpinned by the inherent “store of value” of land and the favourable long-term supply and demand dynamics for high-quality farmland. While we acknowledge that the factors contributing to recent financial and commodity market turmoil are different from past downturns such as the Global Financial Crisis, we believe that the trend of farmland realizing strong relative performance will continue through the crisis.

It is important to bear in mind that while the annual performance and long-term returns of agriculture investments have some relationship to global economic activity and the value of other asset classes, performance is also driven by several idiosyncratic factors such as weather and management decisions. For instance, one of Fiera Comox’s investments in Australia is currently benefitting from significant rainfall which will be the determinant factor in performance over the short-term, and maple syrup production in Vermont is likely to benefit from favorable weather this winter and an improved sap collection system.

Below we discuss the relationship between land-based agriculture investment returns and some of the factors that are contributing to the recent substantial declines of many asset classes.

1. Impact on Current Investments LAND PRICES

An important backdrop to this discussion is that farmland returns have historical correlation of close to zero or negative with equity and fixed income returns.

Furthermore, farmland tends to hold value even when commodity prices drop. This is in large part due to a continued decline in arable land per capita, and because productivity increases (which increase supply and can put downward pressure on prices) accrue to the landowner who is the beneficiary of greater yields and profitability.

Finally, it is important to note that U.S. farmland investments had moderately positive total returns during the depths of the GFC.

2. Commodity Prices

Across Fiera Comox’s agriculture portfolio, the main commodities produced tend to have relatively low correlation to each other, with some commodities being subject to global markets and liquid exchanges (e.g. wheat, cotton, dairy) and others being traded on a more bilateral basis (e.g. almonds, apples, cherries, maple syrup). Short-term commodity prices will continue to be driven by supply factors — primarily weather, though a broad market downturn could decrease the liquidity in some commodity markets and drive down the price of certain commodities, which may offset some of the benefits of reductions in fuel and fertilizer costs. During the GFC, agricultural incomes across the U.S. remained positive.

The broad economic impact of the coronavirus could see reductions in discretionary spending across a broad range of sectors, which would have a larger impact on products like cherries and almonds which are more discretionary purchases relative to wheat or milk, although this does not always manifest during market downturns. During the GFC, some agricultural commodities outperformed others and it was not inextricably linked to the elasticity of the underlying commodity.

3. Other Factors Impacting Investments

OPERATING COSTS

The recent decline in fuel prices has a direct benefit on the operating cost of many of our businesses, but particularly our row crop businesses where fuel costs represent a more material part of the cost structure. The direct benefit of lower fuel prices has already manifested as fuel purchases for the upcoming cropping season are positioned to happen well below budgeted prices. Also, declines in fuel prices tend to pull fertilizer costs down, which would add to the benefit for our cropping businesses.

INTEREST RATES

Lower interest rates tend to support farmland values, both in terms of mortgage serviceability as well as relative yields for institutional investors. We have yet to see an impact to credit spreads and margins for lenders in the agriculture sector, but this may offset some of the benefit of lower base lending rates.

SUPPLY CHAIN DISRUPTIONS

Certain chemical products and fertilizers produced in China have experienced supply chain disruptions, with the temporary closure of agriculture chemical and fertilizer plants. This may lead to a temporary shortage and/or higher prices for various farm inputs that are sourced through China. Our management teams are monitoring these issues closely and we do not expect any disruptions to our operations.

STAFF

The majority of the employees across Fiera Comox's portfolio work in relatively rural regions and do not work in close proximity to a large number of people. Still, our management teams are vigilant about putting into place measures to ensure a safe working environment by preventing as many direct interactions as possible and screening for potential infected employees.

DEAL ORIGINATION

We do not see any changes to the opportunity set or the deal origination process, other than travel restrictions which could slow the process of meeting with potential partners. One factor which could impact deal flow is that banks might become more reluctant to lend to the agriculture sector (as with most sectors) given general uncertainty, potentially creating more opportunity for equity injections from partners like Fiera Comox.

MONITORING

We speak to our management teams on a bi-weekly (or more frequent) basis and are monitoring any potential impacts on their operations or the underlying value of our investments. Our management teams are adopting a proactive approach to sourcing inputs which may be disrupted and ensuring that employees are being monitored to prevent a spread of the virus within the employee base.

Fiera Comox Agriculture Team



— Private Equity

Potential Impacts on Investments

It is still too early to predict how severe an impact the pandemic will have on the global economy. What we do know is that the public market downturn and the eventual effect to the real economy will impact private equity assets to varying degrees depending on investment style, sector exposure and geographic location.

While we could foresee neither the timing nor the magnitude of this market volatility, our strategy has consistently been to build a portfolio with a defensive posture. With downside protection as a leading investment criterion, Fiera Comox has built a portfolio of private equity assets which we expect will better withstand the economic shock of the virus and which we believe to be more immune to financial market fluctuations. We have avoided cyclical sectors such as consumer discretionary, materials, and natural resources and have focused our investment on the middle market, where valuations have been lower than the public market.

For example, our largest investment is in a well-capitalized specialty finance company which is non-cyclical and where performance of existing book of assets and growth are generally uncorrelated to common economic growth drivers. Similarly, our investment in a private alternative investment management firm provides a cash flow stream from fees (a large part of which are contractual) from several funds raised over the last several years. On balance, given the firm's current positioning, we believe the market volatility provides a positive investment climate which will benefit us over the medium-to-long term.

Following the same themes, our exposure to other assets through secondaries and funds are largely focused on non-cyclical industries in the middle market, though there is some exposure to larger transactions which we will monitor. Significant portions of these portfolios are dedicated to healthcare, software, and business services and there is no exposure to oil & gas. Nonetheless, if the economic contraction persists, we expect to see pressure on the valuation of some of the underlying companies. The significant dry powder left to deploy will allow for acquisitions at more favourable valuation multiples even as we keep an eye on financing availability.

POTENTIAL IMPACTS ON DEAL ORIGINATION

In the near-to-medium term, 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. We hope to deploy more capital throughout 2020 as a result. However, market uncertainty may cause sellers to delay sale processes while access to debt capital markets may be more challenging as spreads widen. Transaction volume in private equity is likely to slow down, though there may be opportunities to deploy at more favourable expected returns or in structured equity transactions. We will continue to seek non-auction and proprietary opportunities.

TYPES OF MONITORING IN PLACE TO MITIGATE RISKS

We actively monitor our direct investments on a continuous basis with frequent discussions with management and through board membership. Given our involvement with the companies, we can take the necessary steps to mitigate the impact of economic slowdown and market volatility by reducing expenditures and holding off on growth until the opportune time to do so.

Fiera Comox Private Equity Team

— Asia Credit

These are our kind of markets in the Asia Credit world.

First China – as it is at the epicenter of so much today and potentially the anchor of an economic rebound. We see China having more fiscal and monetary capabilities than other western economies today. Though they have less firepower than they did in 2008/2009, it is still considerable. We have already seen massive liquidity injections into the system as well as state-sponsored financings and bond deals specifically authorized to support companies through the dramatic economic stoppages and slowdowns happening now. We are now beginning to see real signs of key components of the economy reviving.

We see real opportunities in the secondary “survivors” strategy we are employing in our Yield Strategy — where we are investing in the senior debt of big Chinese and Asian companies at compelling valuations and always the top of the capital structure.

Our Developed Asia Direct Lending Strategy is very much unimpacted despite what else is happening in the world – 87% of exposure is in Australia and New Zealand real estate lending with little to be concerned about as we shall further highlight.

Finally, our China business, counterintuitively, is attractively positioned and performing steadily in the domestic China property markets. Our local access gives us direct insights to the domestic China credit markets and helps us find value and real opportunities from our around 30 person team there.

The Yield Strategy **STRESSED SECONDARY CREDIT**

Our stressed credit exposure has performed well in this environment and is structured (generally with a 2-year investment period and 3-year harvest) precisely to take advantage of downdrafts and illiquid opportunities such as we are seeing across credit markets globally and especially in Asia.

We went to 20% cash in the first week of COVID-19 on the 22nd of January before the Chinese New Year, concerned around the China impact specifically on Asia Credits. We have been selectively adding back risk over the recent weeks and realized positive return in February and continue to hold cash and add risk into March.

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. All specifically to inject liquidity and support companies through any liquidity crunches arising from dramatic declines in production and economic activity — that is now coming back.

In this unlevered strategy there is a compelling opportunity to buy into Stressed Secondary instruments as this team has done so across multiple market dislocations for over 19 years.

Developed Asia Direct Lending

This strategy remains open and is designed to be relatively immune from mark-to-market movements. Our portfolio is one we originated entirely ourselves. This means we are in charge and on top of all the details. We have a quarterly Asset Management review of the whole portfolio and a monthly monitoring process by the deal team of each Real Estate project. We have conservative Loan to Values of 70% or lower and have the ability to step in and own and complete any of these projects if they are not going to plan. We also have extensive pre-sale agreements in place covering all our projects. So, these par loans in New Zealand, Australia, and Korea (13% of book) are all in solid shape and performing in components of the economy relatively untouched by the COVID issues. For example, the two Korea projects are unimpacted by the virus — one is expected to be delivered in the coming months and is a full built-out medical facility. The second is a refurbishing industrial warehouse.

We do worry about the construction supply chain, particularly from China potentially slowing delivery of imported items like glass in corners of New Zealand and Australia, but as of today we have no projects impacted and each of the developers are working on assuring the long-term pipeline of their respective imported products.

China Houze Group **ONSHORE CHINA PROPERTY LENDING**

This portfolio of 38 senior secured property loans in China has a loan to value of less than 50%. All of them are performing today despite the virus — though two small ones had delays in payment — not because of project performance but because people in the finance departments were in lock-down and could not get to their offices to enact transactions. This has since been solved.

We have seen very good liquidity from all of our borrowers as we focus on the largest players in the nation (top 250 developers) and the government efforts continue nationwide to make sure this important industry continues to get back up and running. Today 80% of sales offices nationwide are now open but only 30% of construction activity has fully resumed. There are still difficulties predominately with people logistics getting back to work and not being quarantined, etc.; however, we anticipate that this will be resolved in due course as we have already experienced. China continues to do an impressive job of flattening the COVID infection curve and getting the economy back and running ahead of other nations.

In summary we see a very interesting short-term opportunity in the secondary markets for stressed credit investing; buying into survivors at the top of the capital structure while the rest of the world remains worried and redemptions hit many credit funds. As a result, we expect that the steady nature of Developed Asia Direct Lending will continue to offer a differentiated stable stream of income and modest appreciation in this uncertain world.

Clearwater Capital Team

– Infrastructure Debt Strategy

The global investment environment has changed dramatically over the past weeks as the spread of the COVID-19 virus has raised the specter of a broad economic slow-down. The subsequent collapse in OPEC+ co-operation has compounded this uncertainty and led to a rapid and large repricing of financial assets. The flight to quality has clearly favoured the lowest risk and most liquid government securities. Credit spreads have widened, particularly for lower quality issuers and those issuers most exposed to weaker oil prices or softer business conditions.

Infrastructure related securities have held up relatively well over this period. This is encouraging but not unexpected. Project-related debt in particular is shielded from economic cycles as the contracted nature of cash flows and strong counterparties backing these public projects are not directly threatened by external events. These securities are seen by investors as a relative safe haven versus traditional corporate bonds.

Similarly, the regulated utility sector seems to us to be relatively immune to recessionary conditions. While spreads versus government bonds have softened, there has been no deterioration in the underlying fundamentals of these issuers.

The one area of concern in our infrastructure mandates is indirect exposure to the oil and gas sector through pipeline and mid-stream service providers. These holdings make up less than 6% of current holdings. While these are core service providers to the oil and gas sector, investor sentiment in this segment will likely be sensitive to the fallout from weakened commodity pricing.

The absolute performance of the Infrastructure debt mandates has been strong. The long duration of these portfolios has benefited from the collapse in longer term yields, so that while there has been some impact from softer credit spreads, the value of these stable securities has appreciated along with long government yields.

We are not contemplating changes to the strategy in light of market volatility. We continue to look for opportunities in the secondary markets to add high quality names. Alternatively, we are engaging on new deals as they come to market and are looking for improved pricing on these considering the near-term uncertainties.

Fiera Capital Infrastructure Debt Team



— Infrastructure Equity Strategy

As the manager of the EagleCrest Infrastructure Equity Strategy portfolio, we are committed to protecting the performance of each investment and managing any risks, including those originating from the COVID-19 outbreak. We are pleased to inform you that it is during circumstances such as these that the defensive nature of infrastructure as an investment compared to traditional equities is demonstrated. Our diversified portfolio is more highly valued in times of uncertainty and volatility and we have assessed the impact of a further COVID-19 outbreak having a low likelihood of materially impacting our portfolio due to the highly predictable cashflows.

The sections that follow provide further insight and commentary on our views of how the EagleCrest portfolio may be affected, and how we at Fiera Infrastructure are responding from an investment management and internal procedure perspective.

EagleCrest Portfolio

We continue to monitor the current market conditions and any potential impacts to the investments in EagleCrest. We are working with our portfolio investments to ensure that they have proper business continuity plans in place and contingencies to ensure operations continue. We are also engaging with our partners and service providers to remain informed of any developments on-site and/or within their respective organizations. Key highlights of our strategy include:

PPP ASSETS

- ◆ Highly contracted structure provides mitigation through availability-based revenue stream and dropdown agreements with Service Providers. Long-term fixed-rate financings provide strong visibility into the forecasted cashflows to help mitigate interest rate risk.

RENEWABLE ASSETS

- ◆ Contracted under Power Purchase Agreements which mitigates the impact on revenue of recent oil price movements. Assets are not directly utilized by the general public and day-to-day operations can be performed remotely.

UK TRANSPORTATION

- ◆ There could be short-term impacts on traffic volume if COVID-19 lingers. It is expected that many customers will delay travel decisions before deciding where to vacation in the summer, and the business could see an increase if individuals avoid air travel and elect for staycations. The management team has taken safety guidance from Public Health England in order to protect customers and employees.

TELECOMMUNICATIONS ASSETS

- ◆ Revenues of existing businesses are not expected to be impacted by COVID-19; the businesses have contracts in place, and usage of data is still considered an essential service that consumers will maintain during the outbreak. Operations are not expected to be directly impacted as physical presence of operators is only required in case of repair or upgrade – most maintenance can be performed remotely. Management teams have adopted Health and Safety policies specific to COVID-19.

ENERGY FROM WASTE ASSET

- ◆ The company's business continuity plan provides for up to a 20% reduction of staffing for a short period of time if the outbreak impacts human resources and staffing, however management believe this to be an extreme scenario with low probability. Supply of waste is not expected to be impacted and household waste could in fact increase during self-isolation periods. The company has been well-positioned to deal with cross-contamination with strong policies in procedures in place as it handles waste every day. The management team has followed guidance from the National Health Service during the outbreak.

REGULATORY ASSET

◆ The primary threat to the business is through employee absences due to caring for dependents as self-isolation and school closures increase. Management have implemented a number of policies and believe the actual threat to employees/contractors to be minimal. The supply chain may become an issue for parts manufactured in highly affected areas (e.g. China); chemical supply is not at risk as critical chemicals are not manufactured in the countries classified as high risk.

General Mitigation Strategy

We continue to monitor the current market conditions and any potential impacts our investments. As an organization, we are also very focused on the safety of all individuals that work at and/or use the infrastructure assets; in many of EagleCrest's investments, the assets are used by the general public daily. Each of the portfolio companies and service providers have health & safety protocols in place to ensure a safe work environment and safe user experience.

Our assessment to date is that the current market conditions due to the COVID-19 outbreak present a very low likelihood of materially adversely impacting the investments in EagleCrest compared with traditional equities. The highly contracted nature of the portfolio is expected to continue providing stable and predictable cashflows to the investors of EagleCrest. Potential risks noted are assessed as being low, and in any event are generally mitigated through the various subcontracting arrangements in place.

Fiera Infrastructure Team

— Real Estate

The following comments represent a high-level view from Fiera Real Estate Canada on the impacts of the current COVID 19 issue. They apply generally across our Canadian Platform. It is worth noting that the duration of the current crisis is the wild card and that the source of the crisis spares few asset classes.

If the crisis is relatively short lived and has peaked and is settling prior to the end of Q2 2020 we would expect limited impact on all our current strategies.

In a short duration scenario, the market is expected to take a pause while it works out the potential impact. We are in that position today as all enterprises assess the situation. During this phase real estate values and fundamentals tend to hold but investment and leasing transaction volumes could fall significantly. In effect it is a no bid market.

In a longer duration scenario, all of the other factors that one would expect begin to come into play. Highly levered businesses begin to fail starting with those closest to the issue (in this case hospitality and travel), rental rates stay flat or begin to fall, liquidity begins to dry up, occupancy levels widen out and capital value declines begin to appear as capitalization rates (CAP Rates) move out.

In our past experience of managing an open-ended strategy through the GFC in 2008/09, we experienced about a 20% fall in AUM driven by a combination of de-valuation of assets and investors exercising redemptions to re-balance their positions. During that time, the stable income generated through leases limited the impact of falling capital values and ultimately maintained total returns above the zero line. This compared positively relative to significant negative returns out of equity portfolios. A low leverage position also helped mitigate downside. In effect, the real estate portfolio performed exactly as envisioned serving to deliver good relative returns compared to other asset classes. During this time not one of our investors flattened their position, no assets were sold, and all investor requirements were managed within the strategy's set of liquidity provisions. We would not expect our experience to be significantly different in the event of an extended period of disruption under the COVID scenario.

Summary of Impacts

OPEN ENDED CORE STRATEGIES:

Short duration COVID End of Q2:

- ▶ Income levels sustained
- ▶ Occupancy levels maintained
- ▶ Valuation potentially increase with yield compression lifting values

Long duration COVID 2 to 4 quarters:

- ▶ Income levels fall 5% - 10% as business failures reduce demand and impact occupancy
- ▶ Occupancy levels fall
- ▶ Redemptions commence as investors re-balance positions against equities (~ -10% to -20% AUM impact)
- ▶ Valuations fall
- ▶ Lending spreads and cap rates widen
- ▶ Income strategies perform well on relative basis and stay above the zero line as sustained income offsets capital losses
- ▶ Lenders favour existing relationships and strong borrower covenants

Global Oil Price War — Our exposure to this issue is confined primarily to our Alberta portfolio. We have a single office asset in Alberta leased on a long-term lease to the government, so our exposure to the underperforming office sector in the province is limited and de-risked. The bulk of our remaining portfolio is characterized by industrial and “daily needs” unenclosed retail. During the last oil price crisis, the portfolio performed well on a relative basis and recovered quickly primarily due to a lack of office exposure. At the strategy level significant positive performance in other regions more than offset the minor downside in Alberta. Since the last crisis the portfolio has further reduced overall exposure to Alberta, and we do not expect a material adverse impact from the current crisis at the strategy level.

Bottom line, the income-oriented strategies are low leverage and have proven to sustain good relative performance through significant market disruptions. Longer duration lease contracts tend to stabilize financial results and the correlation with the broader market tends to break down in a favourable way during a downturn.

CLOSED ENDED OPPORTUNITY AND DEVELOPMENT STRATEGIES:

Short duration COVID End of Q2:

- ▶ Modest inflation of costs due to supply chain disruption
- ▶ Reduced liquidity and financing
- ▶ Extended build periods of 2 to 3 months
- ▶ Up to 10% reduction in IRR's

Long duration COVID 2 to 4 quarters:

- ▶ Reduced liquidity for new projects
- ▶ Strict controls on existing projects
- ▶ Projects at preliminary stage postponed or cancelled
- ▶ Some proportion of aborted condo sales by consumers and extended lease-up periods
- ▶ Extended Development periods
- ▶ Completion issues
- ▶ Potential for 50%+ reduction in IRR's depending on the duration of the crisis.

Note that we have no development exposure in Western Canada. Our projects are situated in the well diversified economies of Ottawa, Montreal and Toronto.

The bottom line for these strategies is that the money is fully committed through to completion. The expectation is that while mid teen total return targets may be in jeopardy if the COVID crisis takes place over an extended period, the net total returns in the fullness of time should remain in positive territory. Oddly, if the COVID crisis operates over an extended time frame it will significantly reduce the supply pipeline and potentially help to temper the downside in existing projects. Most of our projects are well advanced and capitalized and while they may come in at lower total overall returns over an extended time frame, they are still expected to deliver returns that compare relatively favorably with other asset classes.

We are conscious of treading a fine line in our messaging. We do not want to underestimate the severity of the COVID 19 issue nor do we want to act on speculation. There is no way to tell at this point how long the issue will remain at its current level. History would suggest that like other viruses in the past it will run its course and fade away. At this point we feel our portfolios and projects are well positioned and well capitalized to weather the crisis. We expect the portfolios to perform in the manner contemplated. That is to say that as a result of the current COVID crisis and the assumption that it may extend well into the current year, there is a risk that strategies could deliver lower returns than in the recent past, but should maintain positive performance in relation to other asset classes.

Fiera Real Estate Team

— CONTACT US

Private Alternatives

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