Market Update

Fiera Capital Global Asset Allocation

DECEMBER 2020

FIERA CAPITAL

Optimism flourished in November and global equity markets soared to new highs after some encouraging reports of progress on the vaccine-front, which raised the prospect for an end to the pandemic and emboldened expectations for a rapid recovery in growth. The unveiling of positive efficacy results from three COVID-19 vaccine candidates propelled the market rally and largely overshadowed some worrisome virus trends across North America and Europe. Meanwhile, investors cheered the prospect for a divided U.S. government. All signs are pointing towards a peaceful transition of power to the Biden administration in January, while the nomination of former Federal Reserve Chair Janet Yellen for Treasury Secretary and expectations that corporate tax hikes are now off the table also reinvigorated sentiment.

FINANCIAL MARKET DASHBOARD

	NOV. 30, 2020	NOV.	YTD	1 YEAR
EQUITY MARKETS		**% PRICE CHANGE (LC)**		
S&P 500	3622	10.75%	12.10%	15.30%
S&P/TSX	17190	10.33%	0.74%	0.88%
MSCI EAFE	2054	15.38%	0.83%	4.02%
MSCI EM	1205	9.21%	8.11%	15.87%
FIXED INCOME (%)		**BASIS POINT CHANGE**		
U.S. 10 Year Bond Yield	0.84	-3.5	-107.9	-93.7
U.S. 2 Year Bond Yield	0.15	-0.4	-142.1	-146.3
U.S. Corp BBB Spread	1.19	-22.0	-6.0	-19.0
U.S. Corp High Yield Spread	3.85	-106.0	58.0	4.0
CURRENCIES		**% PRICE CHANGE**		
CAD/USD	0.77	2.38%	-0.14%	2.08%
EUR/USD	1.19	2.40%	6.37%	8.25%
USD/JPY	104.31	-0.33%	-3.96%	-4.73%
COMMODITIES		**% PRICE CHANGE**		
WTI Oil (USD/bbl)	45.34	26.68%	-25.75%	-17.82%
Copper (USD/pound)	3.42	12.24%	22.29%	29.47%
Gold (USD/oz)	1775.70	-5.54%	16.58%	21.16%

Global equity markets had a blockbuster month in November. Risk appetite resurfaced as the latest vaccine headlines spurred hopes for a swift return to normalcy in 2021 and allowed investors to look through some near-term uncertainties at hand. In turn, a profound rotation took hold, with global value stocks outperforming their growth-oriented counterparts by the largest margin since 2001, with energy, materials, and financial sectors leading the performance charge. Regionally speaking, both the S&P 500 and Nasdaq breached new records, while the S&P/TSX erased its 2020 losses. Looking abroad, European and Japanese stocks were the biggest winners thanks to their disproportionate exposure to cyclical stocks, while the emerging market benchmark posted its best month since March 2016.

Fixed income markets also posted modest gains, even despite the ebullient mood in the marketplace. Instead, bond investors took their cue from developments on the political front, with the projected election outcome implying a divided U.S. government scenario. As a result, investors unwound their “blue wave” trades and were forced to reconsider expectations for a large “shock-and-awe” fiscal stimulus package under a Democratic-controlled government. The yield curve bull-flattened in response, with long-term treasury yields edging lower as investors threw in the towel on massive stimulus bets for 2021. Expectations for lighter fiscal spending also ramped-up pressure on the central bank to step-in and fill that gap with further monetary policy support, which put some pressure on the short-end of the curve. Meanwhile, credit spreads barely budged following reports that some emergency lending facilities would expire at year-end and corporate bonds outperformed their government peers during the month.

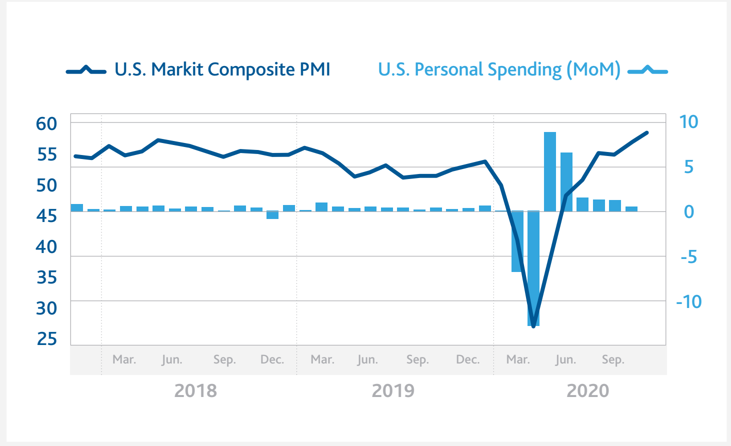
The U.S. dollar resumed its downtrend as the favorable cyclical outlook and the revival in risk appetite dampened demand for the greenback. In contrast, the Canadian dollar touched a two-year high alongside the sharp rally in crude prices. The euro briefly breached the $1.20-mark, while the pound was well-bid as investors braced for an imminent trade deal between the EU and the UK.

Oil prices regained some notable ground and surged 27% amid the revitalized outlook for global demand, while softer dollar conditions also buoyed prices. Copper powered to a seven-year high as robust U.S. and Chinese economic data bolstered demand prospects for the top two consumers of the industrial metal. Finally, gold posted its fourth straight monthly loss as growing hopes that the end of the pandemic is in sight curbed demand for the safe haven metal.

Economic Overview

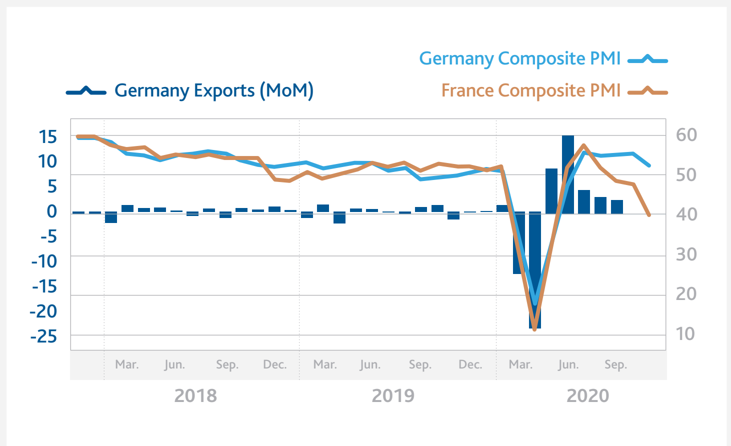
USA

The U.S. economy has held firm even in the face of soaring Covid cases, with relative strength reflecting the impacts of massive fiscal stimulus from earlier this year and a reluctance to reimpose harsh restrictions on activity in response to the latest virus waves. The consumer continued to spend in October despite falling incomes. Instead, elevated savings and a recovering job market helped to offset the decline in government supplemental jobless benefits. Moreover, shopping behaviours over the Thanksgiving holiday weekend through to Cyber Monday revealed that spending activity resumed through November. It goes without saying that near-term economic activity will moderate as states and cities tighten their grip on some activities to contain the rampant virus. Beyond this, however, consumer fundamentals remain healthy, with elevated savings, job gains, the likelihood of further fiscal support, and plenty of pent-up demand implying that a strong 2021 lies ahead.



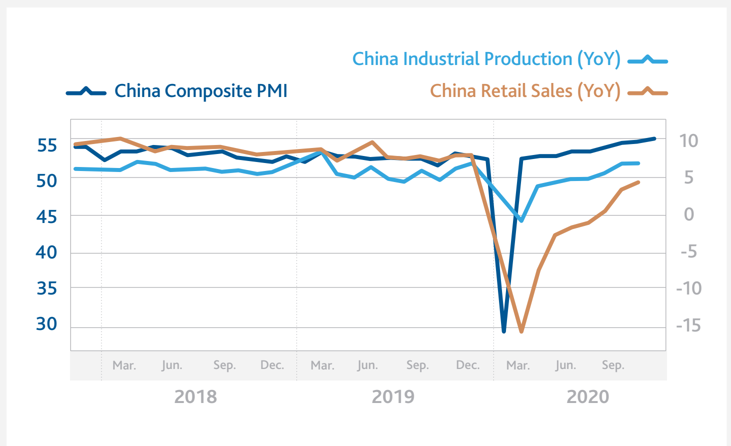
INTERNATIONAL

The European economy is on pace for a fourth quarter contraction as governments reinstated lockdowns in response to the second wave of the pandemic. However, the growth dynamic is bifurcated in nature, with vulnerabilities in the services space at odds with resilience in the factory sector. Specifically, the deterioration has been concentrated in services that have been hit disproportionately by new curbs that are targeted towards leisure, restaurants, and hospitality. Indeed, the European economy is more closely tied to services and tourism versus the United States. The two-speed narrative is also visible on a regional basis. Weakness has been more prevalent in Southern countries including France, Italy, and Spain. In contrast, the German locomotive has remained solid given the country's reliance on manufacturing and exports that have proven immune to the new restrictions, while robust demand for goods from the U.S. and China have also supported global factory activity.



EMERGING

The Chinese economic revival continued uninterrupted in the fourth quarter, cementing the nation's status as the only major economy set to grow in 2020. Activity data for October suggested that the demand-side of the economy is catching-up to what's been a supply-side, factory-led recovery, with retail sales accelerating for a third straight month. Meanwhile, forward-looking business surveys imply that the recovery is likely to extend into year-end and beyond, with both the manufacturing and non-manufacturing PMI's expanding by more than expected in November. The underlying details were also encouraging, with notable gains in production and new orders, while trade indicators revealed that both domestic and global demand remained firm. Importantly, the latest global lockdowns have not had a material impact on trade (in fact, global trade volumes have fully recovered from the pandemic), while China's successful containment of the virus is supporting domestic consumption.



USA

Economic Scenarios

Main Scenario | Rapid Recovery

Probability **55%**

An effective therapeutic is discovered in the near-term and proves sufficient in gaining control over the proliferation of the virus. As the outbreak recedes, sentiment improves drastically and isolationism and social distancing measures abate in accordance. In response, factories and services are able to reopen for business in a smooth fashion, while government efforts to bridge the income gap stemming from the economic stop prove successful in alleviating any permanent damage to both businesses and consumers. As a result, economic activity snaps back dramatically at a rapid pace as confidence is restored and pent-up demand is unleashed, while the lagged impact of massive monetary and fiscal stimulus amplifies the rebound through 2021 and beyond. As an extended period of robust, above-trend growth ensues, newly announced stimulus measures are unlikely (and unnecessary) in this optimistic scenario.

Scenario 2 | Subdued Recovery

Probability **30%**

Stringent mitigation efforts prove successful in stemming the spread of the pandemic and flattening the global infection curve, which brings about a certain degree of confidence that we are regaining control over the propagation of the disease and its potential growth impacts. At the same time, confidence prevails that a viable medical solution to treat the coronavirus will be made available in the coming year. As a result, economic activity resumes during the back half of 2020 as major economies progressively restart their engines, albeit at a slower, more subdued pace. Factories and other workplaces take time to return to full capacity and not every job lost during the crisis is won back. As the virus has not yet been completely eliminated, social distancing behaviours are only partially loosened and lingering health fears prompts some reluctance from consumers and businesses to re-engage fully, which ultimately restrains the magnitude of the economic recovery in the coming year. As the economy will take longer to return to pre-COVID levels under this subdued recovery scenario, monetary and fiscal stimulus is almost certain to remain extremely accommodative and policymakers will refrain from reigning-in their supportive measures over the 12-18 month time horizon.

Scenario 3 | Economic Stagnation

Probability **15%**

In this downside scenario, no clear medical solution is discovered and social distancing guidance remains. While strict mitigation efforts ultimately prove successful in containing the contagion and spurs some resumption in economic activity, the fact that the outbreak hasn't been fully conquered and the risk of subsequent waves of the infection leaves the economy in a vulnerable position, with local quarantine efforts necessary for affected areas. Reopening plans are delayed and even reversed, the population goes back into partial lockdown-mode, and the steep contraction in the second quarter makes way for a stagnant growth environment through 2021 as heightened levels of fear and anxiety leave consumers and businesses hesitant to spend until a vaccine is made available. These factors become self-fulfilling in that the loss of business revenues and potential for corporate bankruptcies results in job losses that further dampen spending intensions and economic activity in the coming 12-18 months. The good news, however, is that the monetary and fiscal impulse will remain firmly in place under this dire economic scenario - which inevitably helps to alleviate the economic damage and reduces the likelihood of this calamitous outcome.

Forecasts for the next 12 months

SCENARIOS	NOV. 30, 2020	RAPID RECOVERY	SUBDUED RECOVERY	ECONOMIC STAGNATION
PROBABILITY		**55%**	**30%**	**15%**
GDP GROWTH 2021				
Global	5.20%	6.00%	4.50%	1.00%
U.S.	3.80%	5.00%	3.50%	0.00%
INFLATION (HEADLINE Y/Y)				
U.S.	1.20%	2.00%	1.50%	0.75%
U.S. RATES				
Fed Funds	0.25%	0.25%	0.25%	0.25%
10-Year Treasuries	0.84%	1.40%	0.85%	0.60%
30-Year Treasuries	1.57%	2.20%	1.65%	1.25%
PROFIT ESTIMATES (12 MONTHS FORWARD)				
S&P 500	165	180	160	150
MSCI EAFE	110	120	110	90
MSCI EM	76	80	70	55
P/E (FORWARD 12 MONTHS)				
S&P 500	21.9X	21.0X	22.0X	16.0X
MSCI EAFE	18.7X	18.0X	17.0X	15.0X
MSCI EM	15.9X	18.5X	16.0X	13.0X
CURRENCIES				
EUR/USD	1.19	1.18	1.10	1.00
USD/JPY	104.31	115.00	104.00	100.00
GBP/USD	1.33	1.40	1.25	1.10
CAD/USD	0.77	0.80	0.74	0.65
COMMODITIES				
Oil (WTI, USD/barrel)	45.34	50.00	40.00	20.00
Gold (USD/oz)	1775.70	1800.00	1900.00	2100.00

Discussions regarding potential future events and their impact on the markets are based solely on historical information and Fiera Capital's estimates and/or opinions, and are provided for illustrative purposes only. Expected returns are hypothetical estimates of long-term returns of economic asset classes based on statistical models and do not represent the returns of an actual investment. Actual returns will vary. Models have limitations and may not be relied upon to make predictions of future performance of any account.

Portfolio Strategy

Matrix of Expected Returns

SCENARIOS	RAPID RECOVERY	SUBDUED RECOVERY	ECONOMIC STAGNATION
PROBABILITY	55%	30%	15%
U.S. Money Market	0.3%	0.3%	0.3%
U.S. Bonds	-3.4%	-0.1%	1.4%
U.S. Equity	4.4%	-2.8%	-33.7%
International Equity	5.2%	-9.0%	-34.3%
Emerging Market Equity	22.8%	-7.1%	-40.7%

Current Strategy[1]

	MINIMUM	BENCHMARK	MAXIMUM	STRATEGY	ALLOCATION	RELATIVE
CASH	**0.0%**	**5.0%**	**25.0%**	**Underweight**	**0.0%**	**-5.0%**
TRADITIONAL INCOME	**5.0%**	**30.0%**	**65.0%**	**Underweight**	**25.0%**	**-5.0%**
TRADITIONAL CAPITAL APPRECIATION	**15.0%**	**65.0%**	**95.0%**	**Overweight**	**75.0%**	**+10.0%**
U.S. Equity	10.0%	35.0%	60.0%	Overweight	45.0%	+10.0%
International Equity	5.0%	25.0%	40.0%	Neutral	25.0%	0.0%
Emerging Markets Equity	0.0%	5.0%	25.0%	Neutral	5.0%	0.0%

1 Based on a 100 basis point value added objective. The benchmark employed here is based on a model portfolio and for illustrative purposes only. Individual client benchmarks are employed in the management of their respective portfolios. Discussions regarding potential future events and their impact on the markets are based solely on historic information and Fiera Capital's estimates and/or opinions, and are provided for illustrative purposes only. Expected returns are hypothetical estimates of long-term returns of economic asset classes based on statistical models and do not represent the returns of an actual investment. Actual returns will vary. Models have limitations and may not be relied upon to make predictions of future performance of any account.

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** 1 Adelaide Street East Suite 600 Toronto, Ontario M5C 2V9 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 fiera.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	LOS ANGELES **Bel Air Investment Advisors** 1999 Avenue of the Stars Suite 3200 Los Angeles, California 90067 T 1 877 229-1500

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 (UK) Limited** 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

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The S&P 500 Index (SPX) is a stock market index made up of approximately 500 US large cap stocks. The index comprises a collection of stocks of 500 leading companies and captures 80% coverage of available market capitalization.
The S&P/TSX composite index is the Canadian equivalent to the S&P 500 market index in the United States. The S&P/TSX Composite Index contains stocks of the largest companies on the Toronto Stock Exchange (TSX). The index is calculated by Standard and Poor's, and contains both common stock and income trust units.
The Morgan Stanley Capital International ("MSCI") EM Index is a stock market index that consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. The Morgan Stanley Capital International
("MSCI") EAFE Index is a stock market index made up of approximately 909 constituents. It is often used as a common benchmark for international stock funds. The index comprises the MSCI country indexes capturing large and mid-cap equities across developed markets in Europe, Australasia and the Far East, excluding the U.S. and Canada.
US Personal Spending is measured by the Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living; the CPI is one of the most frequently used statistics for identifying periods of inflation or deflation.
Markit Composite PMI is a monthly summary report concerning the changes in the working conditions of private companies in the manufacturing and service sectors. The indicator is based on monthly surveys of purchasing managers working in approximately 1000 private companies of the US manufacturing sector.
The Germany PMI (Purchasing Managers' Index) is produced by IHS Markit and is based on original survey data collected from a representative panel of
Germany Exports (MoM): Exports of goods and services consist of transactions in goods and services (sales, barter, gifts or grants) from residents to non-residents. Exports free onboard (f.o.b.) and Imports cost insurance freight (c.i.f.) are, in general, customs statistics reported under the general trade statistics according to the recommendations of the UN International Trade Statistics.
The France Composite PMI (Purchasing Managers' Index) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 800 companies based in the French private sector economy. The final France Composite PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 75% of total PMI survey responses each month.
The China Manufacturing Purchasing Managers Index is based on a survey of around 700 to 800 companies. It is a government-sponsored survey aimed at tracking business conditions in the Chinese manufacturing sector ahead of official economic statistics, while also providing insight into wider economic trends
China Industrial Production (YoY) The industrial production index measures the change in output in Chinese manufacturing, mining, construction, and electricity, gas and water. It includes enterprises with annual sales greater than 5 million yuan, accounting for 70% of total value-added in the Chinese economy.
China Retail Sales (YoY) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold. China Industrial Production measures the change in output in Chinese manufacturing, mining, construction, and electricity, gas and water. It includes enterprises with annual sales greater than 5 million-yuan, accounting for 70% of total value-added in the Chinese economy. Output refers to the physical quantity of goods produced, unlike sales value, which combines quantity and price. The index covers the production of goods and power for domestic sales in China and for export. It excludes production in the agriculture, transportation, communications, trade, finance, and service industries, government, and imports

USA