Fiera Canadian Bond Funds*

FUND COMMENTARY

Fiera Investments

U.S./CHINA TRADE AGREEMENT CAUSES BOND YIELDS TO RISE IN THE FOURTH QUARTER

MARKET REVIEW

At the start of the fourth quarter, trade disputes had a significant impact on interest rates. Early in the quarter, the imposition of new tariffs by the United States and the devaluation of the Chinese yuan helped drive bond prices up. Against investor expectations, the U.S. Federal Reserve opted for only one additional rate cut during the quarter. As for the Canadian economy, it needed no further stimulus. The Bank of Canada therefore kept its key interest rate at 1.75%. Canada is enjoying low rates of unemployment and inflation, and high levels of infrastructure spending. At the end of the quarter, the conclusion of a U.S.-China trade agreement eased tensions, giving renewed hope to the stock markets and thereby causing bond yields to rise.

During the fourth quarter, the 10-year Government of Canada bond yield rose from 1.37% to 1.70%.

Strong supply conditions post-Labour Day continued to provide support in Q4 with investors piling up to put money to work. The positive risk-on tone resulted in an outperformance of lower quality credit such as BBBs. Sector wise, REITs, Industrials, Energy and Telecoms outperformed given their higher beta component.

PORTFOLIO REVIEW

PERFORMANCE (10/21/2019 – 12/31/2019)[1] — Gross of Fees	
Fiera Canadian Bond Fund	0.35%
FTSE Canada Universe Bond Index	0.16%
Value added	19 bps
PERFORMANCE (Q4 2019) — Net of Fees	
Fiera Canadian Bond Fund, Series A	-0.92%
FTSE Canada Universe Bond Index	-0.85%
Value added	-7 bps

Throughout the quarter, we maintained a short duration that was quite close to our allowable minimum. Yields increased, so this strategy contributed significantly to the portfolio's quarterly performance.

We were highly overexposed to the medium-term portion of the curve. During the quarter, the slope of the curve from 2 to 30 years steepened by 12 basis points (bps), but the segment from 10 to 30 years flattened by 10 bps. Our positioning adversely affected the portfolio's return. If bond yields go back up above the Bank of Canada's key interest rate, we could see the overall yield structure steepen.

We continued to be underexposed to corporate securities and overexposed to provincial securities. For these two types of issuers, our exposure slightly exceeded that of the index. However, we had a much more significant overweight and underweight position in municipal and federal bonds, respectively. During the quarter, corporate and provincial bond spreads narrowed by 16 and 9 bps, respectively.

CHANGES MADE BY THE PORTFOLIO MANAGER

The portfolio manager changed in October 2019 and immediately began implementing their investment philosophy in the portfolio.

We increased our exposure to municipal bonds, whose spreads narrowed by about 15 bps during the quarter.

	DURATION	YIELD
Portfolio	7.05	2.44
FTSE Canada Universe Bond Index	7.99	2.28

	WEIGHTS	
	PORTFOLIO (%)	INDEX (%)
Cash & Currencies	0.37	0.00
Corporate	24.63	27.97
Communication	1.24	2.33
Energy	3.32	5.78
Financial	12.91	11.45
Industrial	2.83	1.76
Infrastructure	1.84	4.48
Real Estate	0.54	1.80
Securitization	1.94	0.30
Not Classified	0.00	0.08
Government	74.17	72.03
Federal	13.53	34.63
Municipal	22.55	2.10
Provincial	38.09	35.26
Not Classified	0.00	0.04
Other	0.83	0.00
Total	**100.00**	**100.00**

[1] On October 18, 2019, the sub-advisor for the funds was changed from J. Zechner Associates Inc. to Fiera Capital Corporation. Changes in the investment strategies of the funds were made because of the sub-advisor change.

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MARKET OUTLOOK

The North American economy is expected to maintain its momentum in the first quarter. Bonds will no longer be pricing in a rate cut, so we will keep our duration shorter than that of the index. Moreover, given that political tensions have eased, stock market investors will continue to be open to risk taking, an environment that should benefit Canadian corporate bonds. That being said, we will continue to take a cautious approach to corporate bonds because we think balance sheet quality is still eroding. Rising corporate debt and substantial share buybacks are making BBB bonds less attractive.

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IMPORTANT DISCLOSURES

* On July 3, 2019, the issued and outstanding shares of Natixis Investment Managers Canada Corp (the holding company of the manager) were acquired by Fiera Capital Corporation. The name of the manager of the Natixis Canadian Bond Funds was changed to Fiera Investments LP. On July 12, 2019, the Natixis Canadian Bond Funds were renamed Fiera Canadian Bond Funds.

As of December 31, 2019. Performance for the Fiera Canadian Bond Class, Dividend, Series A — 1 month: -1.2%; 3 months: -1.0%; 6 months: -0.3%; 1 year: 5.2%; 3 years: 1.9%; 5 years: 1.6% and SI**: 2.5%. Performance for the Fiera Canadian Bond Fund, Series A — 1 month: -1.1%; 3 months: -0.9%; 6 months: -0.3%; 1 year: 5.2%; 3 years: 1.9%; 5 years: 1.6% and 10 years: 2.6%. **Since Inception: March 8, 2010

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in share value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

This release may contain “forward-looking statements” which reflect the current expectations of Fiera Investments LP and/or its sub-advisor, Fiera Capital Corporation (“Fiera Capital”). These statements reflect the applicable management’s current beliefs with respect to future events and are based on information currently available to such management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements including, without limitation, those listed under the heading “Risk Factors” in the Fiera Investments LP Funds prospectus, which is available on Fiera Investments LP’s website and on SEDAR at www.sedar. com. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this release. Although the forward-looking statements contained in this release are based upon what Fiera Investments LP and/or Fiera Capital believes to be reasonable assumptions, Fiera Investments LP and Fiera Capital cannot assure investors that actual results, performance or achievements will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this release and Fiera Investments LP and Fiera Capital do not assume any obligation to update or revise them to reflect new events or circumstances.