Fiera Core Global Equity Funds*

FUND COMMENTARY

THIS TOO SHALL PASS

MARKET REVIEW

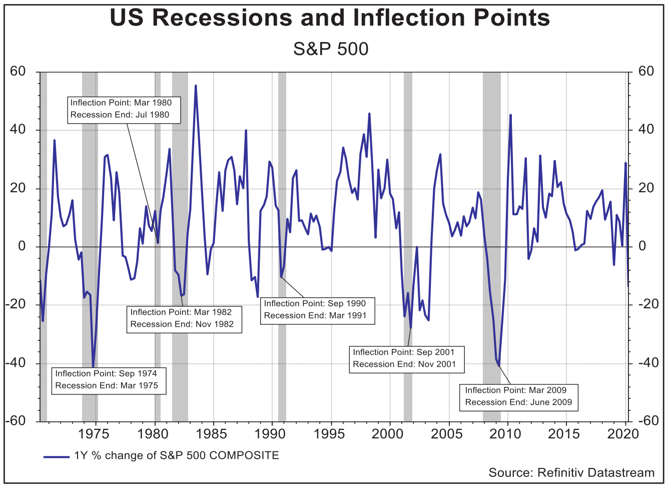
Global equities, after having reached all-time highs in mid-February, were rocked in Q1 2020 by not one, but two "black swan" events. The first of these was the spread of the COVID-19 virus throughout the world. The second of these was the onset of a Saudi Arabia induced oil price war, which sent the price of WTI oil down from over $50 to barely $20 in a couple of weeks. Investors quickly grasped that the simultaneity of these events will lead to a recession in 2020, and those who employ leverage were forced into panicked, indiscriminate selling to meet margin calls or otherwise generate liquidity. For the quarter, the MSCI World Index ultimately fell by 13.6% (in $CAD terms).

While the ultimate magnitude of this downturn will only be known in the fullness of time, investors do know the following: GDP in Q2 will fall materially in all countries. Estimates for the decline in U.S. GDP in Q2 are well into the double digits. Corporate profitability will be down sharply, but estimates have barely started to move down; as at March 31, bottom-up estimates for calendar 2020 S&P 500 EPS were still an unrealistic $157.90, virtually identical to 2019's $157.12. Inflation, already very low, will face further downwards pressure over the short term as capacity utilization plummets. The Saudi's have financial reserves to survive low oil prices for at least three years, and thus oil and gas prices will likely be under pressure for some time. Debt defaults and bankruptcies will rise, not just in the Energy sector but in a host of industries and even nation states.

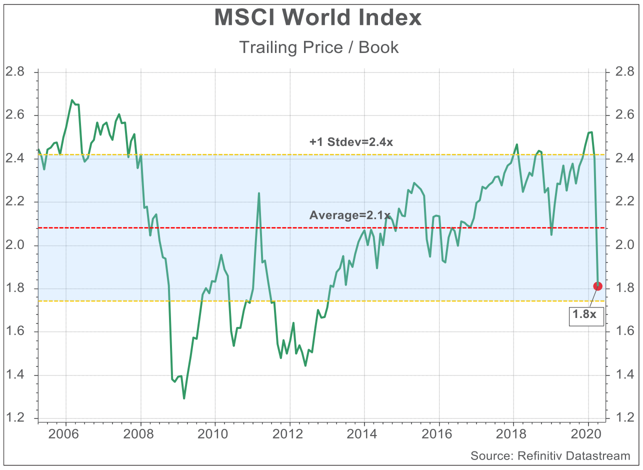
"Buy low, sell high". Easy to say, isn't it? The maxim practically rolls off the tongue. But it's very difficult to actually do. Buying at lower prices inevitably requires an investor to summon the faith that conditions will in fact improve, and to have the fortitude to seize the opportunity. All while knowing full well that he may be a month or two (heck, probably a quarter or two) too early. Regardless, the broad sell off in equities has presented an array of opportunities. In our estimation, the environment to make new public equity investments is the best it's been since 2011 and 2012.

The following is a half dozen reasons why investors with time horizons longer than 24 months may consider phasing in (further) allocations to equities over the next several months:

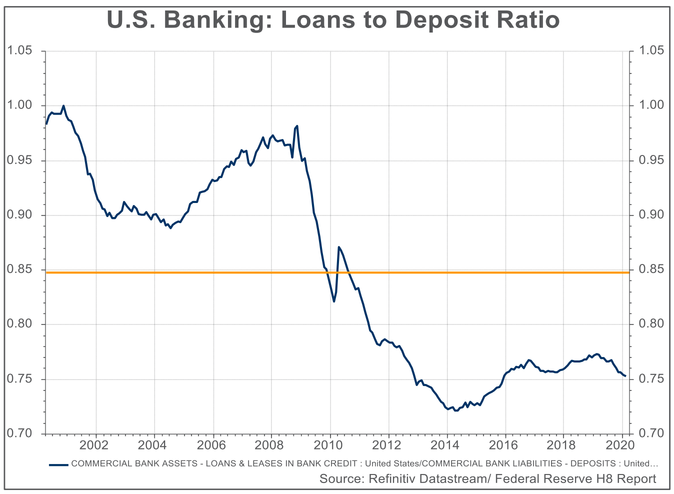
1. Equities are a leading indicator of where the economy is going, so they will move higher before the economy improves. An investor who waits for the economy to recover may be gratified by a (false) sense of greater confidence, but he needs to recognize that he'll likely be buying at materially higher prices. He will have given up a very significant part of the upside in return for coinciding his incremental investment with more reassuring statistics and a less morbid news cycle. A lousy trade off in our view. The below chart shows how equities bottom anywhere between a couple of months to a couple of quarters before the economy ceases to contract.

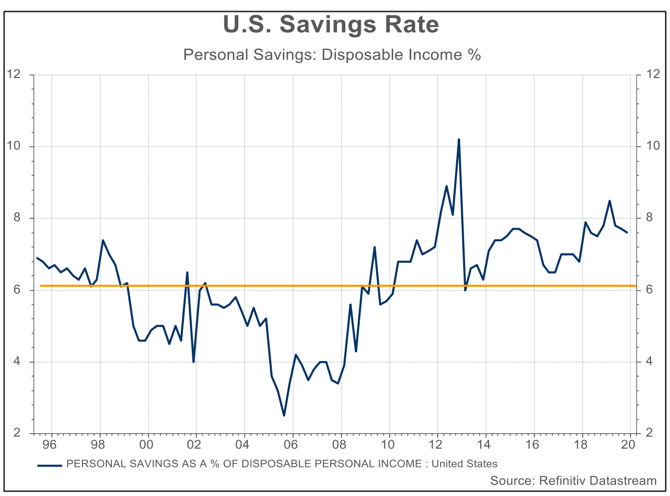


2. Price matters for equity investing. It is the best predictor of long term returns, and the best guarantor of satisfactory long term returns. The below chart shows how, after being elevated for a couple of years, valuations have returned to more normal levels (albeit not at the rock bottom valuations immediately following the 2007-2009 Global Financial Crisis).

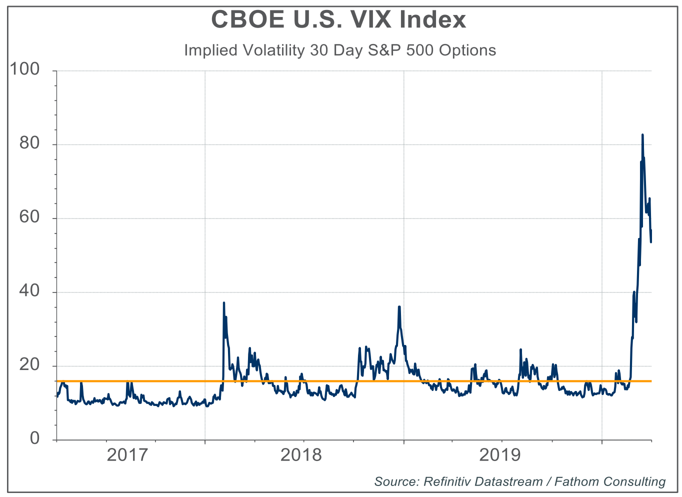


3. The 2007-09 Global Financial Crisis was centred around the U.S. consumer, who had overextended in housing, and the global banking system, which served as enabler. The below charts illustrate how the balance sheets for both the U.S. consumer and banking sector are in much better shape. This means that the eventual economic recovery could be faster and more broadly based.

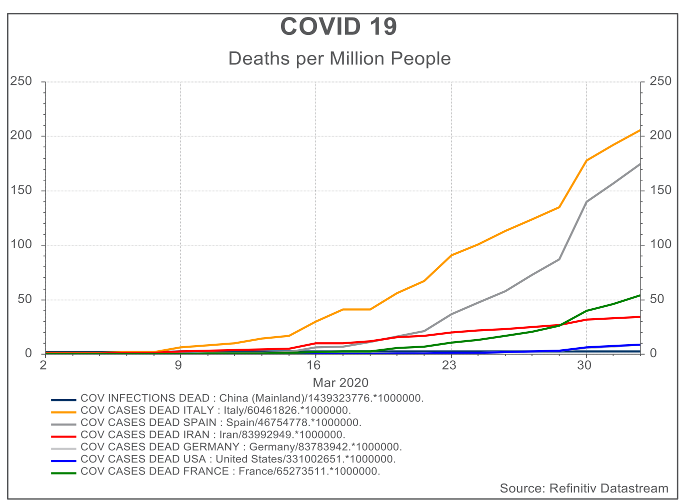




4. The government response from both central banks and public stimulus has been swift. Government payroll supplements won't be fully sufficient, and for affected workers will undoubtedly arrive too late, but nonetheless equate to a sizeable proportion of global GDP. In mid-March, liquidity was absent throughout much of the fixed income universe. But central bank purchases (aka "quantitative easing") have quickly restored some stability to money markets, and credit spreads have started to stabilize. Both of these are pre-conditions for the economy to return to growth. The below chart shows how the VIX measure of implied stock market volatility peaked on March 16th, but has declined somewhat since then. A sustained decline in volatility is an important pre-requisite to the market bottoming, as it enables confidence to build.



5. The COVID-19 news flow will likely get worse in the near term, but will start to improve as the year progresses. By quarter end, new daily cases were starting to decelerate throughout much of Asia and Europe, however it is reasonable to expect that new cases will only accelerate in the U.S. and many developing countries (i.e. due to slower implementation of social distancing and testing). But by summer, more and more economic activity will resume, and the news flow around potential vaccines or respiratory treatments will only increase. Investor confidence, and thus equities, will likely react positively to the cresting of new daily cases in the developed world.



6. Finally, and most importantly, all of the companies in the fund are in sound financial shape. None of our companies have liquidity issues or weak balance sheets. They will remain profitable and generate lots of cash flow even in a recession. They will keep paying dividends – the critical ingredient to successfully compounding returns. Unlike stocks with weaker business models and stressed balance sheets, investors can rest assured that our companies will still be around to participate in the new Bull Market when it inevitably starts to pick up steam.

THE PORTFOLIO

The fund had undertaken a number of portfolio changes prior to March, and capitalized on the downturn in the markets to add another couple of new investments towards the end of the quarter.

- The fund has built a position in U.S. based food company, Mondelez International Inc. Mondelez's key global brands are Cadbury and Toblerone chocolate, and Oreo and Chips Ahoy cookies. Snacks are amongst the most attractive product categories in consumer staples as they engender high levels of brand loyalty and thus provide firms with a good degree of pricing power. The new management team has successfully undertaken a strategic shift to re-emphasize strong local brands, which has resulted in one of the better organic growth profiles in the space. This purchase was financed primarily by selling our position in U.S. refiner, Philips 66.
- The fund has also built a position in French passenger train, signals manufacturing and engineering firm, Alstom SA. Subsequent to our purchase, Alstom announced a deal to buy the train assets from Montreal's Bombardier Inc. While the deal is dilutive over the short term, it is very attractive over the long term as Alstom has picked up Bombardier's fixed assets at a very reasonable price, and has strong prospects of bringing the anemic margins at the legacy Bombardier operations closer to those of Alstom's. While the conspicuousness of ESG considerations continues to grow in the investment industry, there are few companies that legitimately move the needle on social and environmental issues that are also actually worthwhile investments. Alstom is one of those select few. Its backlog has grown steadily in recent years due to urbanization and governments looking to expand public transportation. This investment was financed primarily by exiting both German manufacturer, Kion AG, and Belgian bank, KBC.

As markets started selling off in March, we started building two new positions, as valuations in a couple of style consistent, high quality dividend payers became more attractive.

- Starbucks Corp.'s near term results will be bleak due to store closures brought on by the COVID-19 pandemic. But fast food restaurants such as Starbucks have a surprisingly high degree of economic resiliency, and we expect their business to rebound quickly when consumer behaviour normalizes. The company is also amongst the most sophisticated consumer companies in the world. The Starbucks app has 19 million active monthly users, and fully 16% of transactions are now mobile, double the rate from just two years ago. We expect the company will continue to successfully employ analytics to grow and maximize the profitability of its client base.
- We've also started building a position in Visa Inc. Over $11 trillion of payments, just over 10% of global GDP, was processed through Visa's payment network in 2019. The company is a leading play on the growth of e-commerce. Visa enjoys a powerful network effect as the company provides a vital link between banks, merchants and consumers. Once the economy starts to recover, we expect that Visa can resume high levels of free cash flow and dividend growth.

MARKET OUTLOOK

Bear Markets aren't fun. They are cruel and unforgiving to investors who sell either because of illiquidity or nerves. For such investors "mark-to-market" or "paper" losses are crystalized and become permanent and unrecoverable. But Bear Markets also present opportunities to make a lot of money. In order to capitalize however, investors need to stick to their philosophy, process and playbook. We believe our emphasis on highly cash flow generative, financially strong dividend growers has served our investors well for many years. Without wishing to minimize the very real human toll extracted by the COVID-19 pandemic, we'd encourage our investors and partners to look past the near term fear and uncertainty.

This too shall pass.

CHARLES LANNON, CFA
SENIOR VICE PRESIDENT, HEAD OF EQUITIES
CIDEL ASSET MANAGEMENT INC.

For more information about Fiera Core Global Equity Funds, please contact your financial advisor.

Fiera Investments LP
145 King Street West, Suite 1500; Toronto, ON M5H 1J8
T 866 378 7119
W fierainvestments.com

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 Global Equity Funds was changed to Fiera Investments LP. On July 12, 2019, the Natixis Global Equity Funds were renamed Fiera Core Global Equity Funds.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.

Information contained here is believed to be accurate and reliable at the date of printing, however, Fiera Investments LP cannot guarantee that such information is complete or accurate or that it will remain current. The information is subject to change without notice and Fiera Investments LP cannot be held liable for the use of or reliance upon the information contained here.

This release may contain "forward-looking statements" which reflect the current expectations of Fiera Investments LP and/or its sub-advisor, Cidel Asset Management Inc. ("Cidel"). 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 Cidel believes to be reasonable assumptions, Fiera Investments LP and Cidel 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 Cidel do not assume any obligation to update or revise them to reflect new events or circumstances.