Fiera Strategic Balanced Funds*

FUND COMMENTARY

FIERA INVESTMENTS

EQUITIES ROCKED IN FIRST QUARTER

MARKET REVIEW & OUTLOOK

After reaching all-time highs in mid-February, equities were rocked in the first quarter by two “black swan” events: the spread of the COVID-19 virus throughout the world and 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. Regulators reacted quickly with massive amounts of fiscal and monetary stimulus to soften the blow to the economy sending government bond yields dramatically lower. Investors quickly grasped that these two events striking at the same time would likely lead to a recession, and those who employed leverage were forced into panicked, indiscriminate selling to meet margin calls or otherwise generate liquidity. By quarter end markets had started to digest the extent of the stimulus and began to stabilize.

The first quarter was not kind to investors; the Fiera Strategic Balanced Class was down -9.28%[1]. Certainly, fixed income assets played their role as a diversifier in a portfolio by dampening the significant negative returns we saw in equity markets. Bonds were up 1.7%, offsetting the negative returns produced by Canadian equities and global equities, or -20.9% and -13.3%, respectively. Global equity returns were helped by the significant weakness we saw in the Canadian dollar during the quarter again pointing to the significance of diversification.

Near the end of March, we were able to take advantage of the significant sell off in equity markets and higher bond prices by selling fixed income and reducing cash to purchase equities. This shift reduced our overweight position in fixed income and moved our equity position from underweight to neutral, with a small overweight in global equities and an underweight in Canadian equities. “Buy low, sell high” is easy to say, but 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 knowing full well that he or she may be months too early. Regardless, the broad sell off in equities presented us with an array of opportunities.

We are very hesitant to put pen to paper to write these quarterly notes because by the time we are finished writing them the level and outlook for captial markets may very likey have changed. Last quarter we wrote about very positive stuff. The fact that the U.S. along with Canada had not suffered a recession in over 10 years, that the equity bull market was the longest since the 1920’s and that the S&P 500 was up astonishinly 9 out of 10 years. Well, that all changed with COVID-19 and the oil price war induced by Saudi Arabia. The equity bull market officially came to end with the most rapid sell off from peak to trough (assuming the most recent low is the trough) on record, an eye popping deterioration in employment around the world, falling purchasing managers indices and a significant deterioration in the usually stable component of our economy – the services sector.

The COVID-19 news flow and the impact of social distancing on the economy will likely get worse in the near term. In fact, only time will tell how significant the shock will be to the economy, when it will begin to improve and when our daily lives will return to normal. We do know that we are going to see significant declines in real GDP over the next few months, but as the cases begin to decline and the news flow shifts to potential vaccines and respiratory treatments, investors will shift to looking at what the world will look like 2 or 3 years from now.

To do this we can learn a lot by looking back at the last major recession: the Great Financial Crisis (GFC). Despite the situation being very dire as the GFC unfolded, the economy eventually recovered and continued to prosper, leading to the longest bull market in almost 100 years. We know that economies that reacted quickly did better. The same is likely to happen this time. We view our current situation as an opportunity because the economy showed no significant imbalance prior to COVID-19, valuations have become more attractive and policy makers – monetary and fiscal – are throwing unprecedented amounts of stimulus at the problem and they are doing it quickly. Canada, a country that came out of the GFC in better condition than most, is an example. The federal government has announced a number of initiatives which will significantly increase an underlying deficit of about $28 billion before all this began. The Finance Minister’s announcement of a 75% wage subsidy carries a very large price tag expecting to cost $71 billion, lifting new direct fiscal support to $105 billion, according to Morneau. That comes on top of the usual increase we have seen in deficits during an economic shock due to surging costs and slumping tax revenues. It is difficult to know where the dust will settle, but it is quite likely that we will take out the modern day record of 8% of GDP set back in the early 1990s. The Bank of Canada has also put in place a number of initiatives and, for the first time, is undertaking quantitative easing buying of at least $5 billion Government of Canada bonds each week, which could build to nearly $200 billion by the end of 2020. These are staggering numbers, but this is what governments should do during shocks to dampen the impact on the economy and to ensure the plumbing of the banking system continues to function as it should. Canada truly has

[1] Dividend, Series A

an advantage here over many other countries as it entered the crisis with one of the lowest debt/GDP ratios among developed countries and interest rates are well below inflation and potential GDP growth making the cost of borrowing manageable.

ASSET MIX

	PERCENTAGE OF PORTFOLIO (MARKET VALUE)			
	Bonds	Canadian Equities	Global Equities	Cash
Benchmark	50.0	25.0	25.0	0.0
December 31, 2019	43.9	26.0	26.3	3.8
March 31, 2020	45.3	25.6	26.7	2.4

THE PORTFOLIO

Global Equities

In the international portion of the fund, we undertook a number of portfolio changes prior to sell off and capitalized on the downturn in the markets to add another couple of new investments towards the end of the quarter. We added:

- U.S. based food company Mondelez International Inc. Mondelez's key global brands are Cadbury and Toblerone chocolate, and Oreo's and Chips Ahoy cookies. Snacks are amongst the most attractive product categories in consumer staples as they engender high levels of brand loyalty and better organic growth profiles in the space. This purchase was financed primarily by selling our position in U.S. refiner, Philips 66.
- French passenger train and 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. at a very reasonable price with strong prospects of bringing the anemic margins at the legacy Bombardier operations closer to those of Alstom's. 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 and 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.

Canadian Equities

In the Canadian equity portion of the fund, we undertook 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.

- Allied Properties REIT replaced H&R REIT. Allied basically has a monopoly on renting brick and beam buildings to eager tech companies and those looking to be "hip and cool" in Toronto, Montreal & Vancouver. They have raised about $1.3 billion in equity over the past two years to meaningfully de-lever and pre-fund construction on their sizable development pipeline. When the dust settles around COVID-19, they may be one of a few Canadian REITs to have benefitted, as their 20% exposure to data-centers is seeing meaningful growth with the move to work-from-home and cloud computing. Allied will continue to grow their dividend.
- Granite REIT replaced Saputo. Granite is a global industrial REIT that was initially spun out of Magna, which still represents about 45% of the portfolio. The remaining assets are high quality logistics and e-commerce warehouses in key markets in the U.S., the Netherlands and Germany. Key attributes of Granite include one of the strongest REIT balance sheets in North America, top dividend growth track record and a payout ratio safely within free cash flow. Granite's target markets are experiencing strong rent growth, low vacancy and strong tenant demand largely due to the expansion of e-commerce sales and the associated supply chain needs. Their remaining Magna assets are unique and mission critical to Magna and Granite plans to continue decreasing their exposure to an estimated 20% by 2023.
- Pembina Pipeline Corp. replaced Canadian Natural Resources. Pembina is an integrated midstream energy infrastructure company. The company operates over 9,000 kilometers of conventional hydrocarbon pipelines, coupled with 1,650

kilometers of heavy oil and oil sands pipelines. Its integrated value chain also includes gas processing facilities, natural gas liquids infrastructure, and a marketing business. This is a very high quality, growing business, with a solid balance sheet and conservative payout.

- Canadian Pacific Railway replaced CCL Industries. CP Railway has a durable business with high barriers to entry and a top notch management team that has a history of demonstrated operational excellence. Railroads enable the most efficient and cost-effective movement of goods, especially over long distances. The company has a high profitability business and very strong free cash generation, all driving year-in year-out capital return to shareholders.
- We are in the process of selling our position in MTY Food Group. The company is a franchisor of quick service restaurants. MTY was initially added to the portfolio as the company has strong cash flow generation characteristics as a franchisor and because quick service restaurants tend to be quite resilient even during times of economic weakness. While this analysis is still correct in a normal economic environment, COVID-19 has changed the rules of the game; cash flow generation can only occur when restaurants are allowed to operate. Current social distancing policies have led to much lower operating levels across MTY network of franchised restaurants. As such, we believe the company will exit the current crisis in a much worse shape than most.

Finally, and most importantly, all of the equity investments 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. Most will keep paying dividends, which is 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.

Fixed Income

Our bond commentaries over the past two years have stressed our modest levels of credit risk relative to the benchmark in the portfolio, which paid off this quarter when corporate credit spreads on the benchmark widened by more than 140 basis points. In late February, when COVID-19 cases were rising rapidly in Asia, corporate bond markets ignored the information so we took this opportunity to reduce our credit exposure further to move into government bonds. This proved to be a very profitable trade as shortly after, risk markets sold off violently. In the month of March we added a modest amount of corporate bonds and a large amount of provincial bonds by selling Canadian government and agency bonds as spreads moved materially wider and we were being compensated to take on more risk. Wider credit spreads and massive amounts of monetary stimulus, which have started to relieve liquidity concerns, should mean better times ahead for credit markets.

CLOSING THOUGHTS

Bear markets aren't fun. They are cruel and unforgiving to investors who sell either because of illiquidity or nerves. But bear markets also present opportunities. 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 companies has served our investors well for many years. We encourage our investors to look beyond the near-term fear and uncertainty and consider the world 2 to 3 years from now. The broad sell off in equities has presented us with an array of opportunities and our next asset mix shift will likely be to add again to equities. In our estimation, the environment to make new public equity investments is the best it's been since 2011 and 2012. We view our current stance on asset mix (close to benchmark) warranted for the time being given the ongoing nervousness we still see among investors, but it too will pass.

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Fiera Strategic Balanced Funds*

Annualized Total Returns as of March 31, 2020

	1 Month	3 Months	6 Months	YTD	1 Year	3 Years	5 Years	Since Inception[1]
Fiera Strateigc Balanced Class, Dividend, Series A	-8.1%	-9.3%	-7.8%	-9.3%	-5.2%	0.2%	0.7%	2.2%
Fiera Strateigc Balanced Registered Fund, Series A	-8.0%	-9.2%	-7.7%	-9.2%	-5.2%	0.2%	0.7%	2.1%

[1] Since Inception : May 31, 2010

For more information about Fiera Strategic Balanced Funds, please contact your financial advisor.

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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 Strategic Balanced Funds was changed to Fiera Investments LP. On July 12, 2019, the Natixis Strategic Balanced Funds were renamed Fiera Strategic Balanced Funds.

On April 9, 2020, Fiera Capital Corporation and its wholly-owned subsidiary, Fiera Investments LP, entered into an agreement with Canoe Financial LP ("Canoe"), wherein Canoe agreed to acquire the rights to manage the Fund, becoming the investment fund manager and trustee of the Fund. The transaction is expected to close on or about June 26, 2020, subject to receipt of all required securityholder and regulatory approvals, as well as satisfying other customary conditions of closing. For more details, see the press release on www.fierainvestments.com/press-releases.

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.

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