

Current Situation

COVID-19 is now present in over 100 countries and has officially been declared a pandemic by the World Health Organization. At this juncture there is still no vaccine and the expectation is that one is unlikely to be developed in the immediate future. The mortality rate is higher than influenza, but at this stage the estimates are approximate and remain very preliminary. There is still uncertainty about the spread of the virus but information is improving.

Availability of test kits is increasing, and therefore the number of individuals being tested is increasing. Health systems may be overwhelmed by a rapid increase in the number of cases, but public health officials are working on suppression strategies to limit the spread of the virus. The best solution to date has been isolation in various forms. China implemented such strong measures and is now witnessing a drop in the number of cases over the last two weeks. Democracies will be tested to strike a balance between human rights and civil liberties and the need to protect public health through isolation and quarantine.

We believe the economic impact of COVID-19 will be significant. With supply chain disruptions, quarantine efforts and precautionary measures, business activity is decreasing. While these circumstances are likely to dampen economic activity in the short-term, central banks are also now responding with significant monetary stimulus and, in addition, fiscal measures are starting to develop across countries to support economic growth, as well as emergency spending for health care systems. The world economy was in reasonably solid shape in February 2020, before the virus began to spread globally, and there is reason to be hopeful that the monetary and fiscal measures that are being implemented will support a reacceleration of growth later this year.

Investment Activities

Each investment team is currently reviewing their assumptions and monitoring new information as the spread of coronavirus continues to be highly uncertain. The depth and length of the

economic impact is constantly reviewed with new incoming information. On a macro level, financial market behavior reflects through its volatility this high level of uncertainty while more specifically the credit market through increased default risk. On the security selection level, the likely effect on the business plan of our equity holding is scrutinized and opportunities are being evaluated. From a credit perspective, our credit teams are exercising heightened vigilance. For private alternatives like private debt, real estate, infrastructure, agriculture and private equity where we operate in the middle market space, we have reviewed current holdings and confirmed with all our investment teams a strong monitoring process to ascertain the effect of the coronavirus on each of them.

Investment Teams Preparedness

In order to properly conduct our investment management activities we need to make sure that we can execute transactions efficiently at all times. Our trading function operates from five different locations which provides additional flexibility and resiliency. In addition, our contingency plans include an ability to function remotely which has been tested and improved in recent days. We are continuously testing to ensure we can operate effectively for a sustained period. For example, our investment teams in Hong Kong have been able to operate working remotely at different times for the past year. Finally, travel restrictions have been implemented.

We are following the situation closely and look to ensure proper liquidity within each of the funds.

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