

Recession Risk Rising

The crisis in confidence stemming from COVID-19 has become increasingly self-fulfilling, which has brought into question our outlook for global growth as government efforts to contain the virus restricts economic activity and as individuals self-isolate in response to the fast-spreading pandemic.

We have regrettably underestimated both the extent and magnitude of the outbreak as it spreads aggressively across the globe, as well as the unprecedented and abrupt hit to global economic activity that comes with it.

As witnessed across Asia, severe economic pain needs to be assumed in order to ensure that the virus is contained. We are now experiencing this same trade-off across Europe and in North America. While the experience in Asia leads us to believe that the spread of COVID-19 in the developed world can indeed be contained, the risk prevails that the outbreak lasts longer than we anticipated and sparks a pronounced economic slowdown that extends into 2021. Moreover, the assumption that we return to a normal economic environment hinges on one of two things: An existing drug will prove effective (2-4 months) or a new vaccine is approved (12-18 months), with the latter prolonging the steep contraction through to mid-2021 until a vaccine is available.

With little visibility on the progression of the coronavirus OR the prospect for a treatment/vaccine to stem the pandemic, we have increased the probability of a global recession to 50% and have assumed a neutral stance on equities from an asset

allocation perspective. As recent market gyrations have more or less moved our portfolios closer to these targets, we will refrain from actively rebalancing the portfolios at this time. Considering the extreme levels of volatility and illiquidity in the marketplace, the rebalancing threshold should be wider than usual - though we will be looking to adapt to the environment upon increased clarity on the evolution of COVID-19.

FROM THE GLOBAL CIO OFFICE
Candice Bangsund,
Vice President and Portfolio Manager,
Global Asset Allocation

fiera.com

This information is prepared by Fiera Capital Corporation ("Fiera Capital") and is intended for use by residents of Canada only. The information and opinions expressed herein are provided for informational purposes only, are subject to change and should not be relied upon as the basis of any investment or disposition decisions. Past performance is no guarantee of future results. All investments pose the risk of loss and there is no guarantee that any of the benefits expressed herein will be achieved or realized. Valuations and returns are computed and stated in Canadian dollars, unless otherwise noted.

The information provided herein does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. There is no representation or warranty as to the current accuracy of, nor liability for, decisions based on such information. Any opinions expressed herein reflect a judgment at the date of publication and are subject to change. Although statements of fact and data contained in this presentation have been obtained from, and are based upon, sources that we believe to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. No liability will be accepted for any direct, indirect or consequential loss or damage of any kind arising out of the use of all or any of this material.

Views expressed regarding a particular company, security, industry or market sector should not be considered an indication of trading intent of any funds or accounts managed by any Fiera Capital entity. Each entity of Fiera Capital only provides investment advisory services or offers investment funds in the jurisdictions where such member and/or the relevant product is registered or authorized to provide such services pursuant to an exemption from such registration.