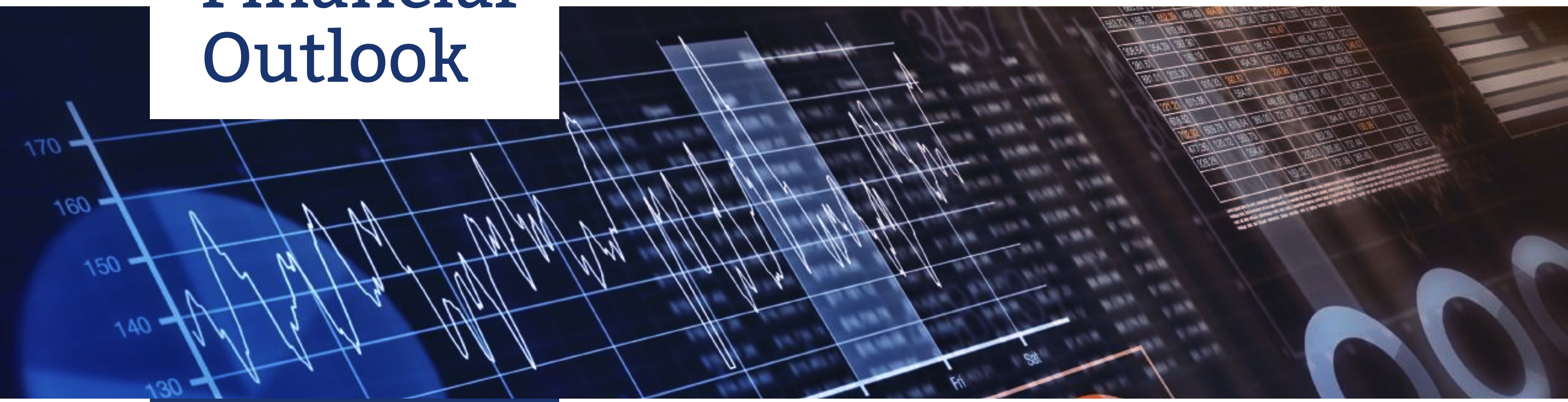
OPTIMUM

Asset Management

Financial Outlook



April 2021

Summary

At a Glance

- Central banks are expected to maintain their accommodative policies and to continue supporting the global economy in 2021.
- In Canada, the TSX/S&P Index ended the quarter with an 8.05% return.
- The FTSE Canada Universe Bond Index returned -5.04% during the quarter as a result of higher government bond yields.
- In the United States, the S&P 500 advanced 4.75% (CAD) in the first quarter, and we expect robust economic growth as the economy recovers from the pandemic.
- U.S. Federal Reserve Chair Jerome Powell is determined not to raise key rates pre-emptively to ensure an economic recovery.
- The MSCI World Index also recorded a positive performance in the first quarter with return of 3.51% (CAD).

The *Financial Outlook* is available on line at www.optimumgestion.com

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We would be pleased to send it to you personally.

PRI Principles for Responsible Investment

Economy

By Pierre-Philippe Ste-Marie, Co-Chief Investment Officer

and by Martin Delage, Co-Chief Investment Officer

For more than a year, we have been living with the effects of a global pandemic. Despite lockdowns and limited travel, the global economy regained some momentum after massive intervention by governments and central banks, which led to higher prices and lower risk premiums in a number of markets.

2021 Economic Forecast

	Gross Domestic Product (GDP)		
	IMF[1]	OECD[2]	Consensus[3]
World	5.2	4.2	5.8
Canada	5.2	3.5	5.9
United States	3.1	3.2	6.3
Euro zone	5.2	3.6	4.1
Germany	4.2	2.8	3.6
France	6.0	6.0	5.9
United Kingdom	5.9	4.2	4.6
Japan	2.3	2.3	2.6
Emerging markets	6.0		5.2
China	8.2	8.0	8.2

[1] IMF, World Economic Outlook, October 2020.
[2] OECD, OECD Economic Outlook, Volume 2020, Issue 2, November 2020.
[3] Data collected on Bloomberg, January 18, 2021 and between April 15 and 29, 2021.

Source: MSCI Performance

The first quarter of 2021 saw the continuation of trends established in the fourth quarter of 2020: a strong stock market with advances by value stocks and small caps amid higher interest rates.

The challenge for financial markets in the second quarter will be to balance what is expected to be strong demand growth due to the rebound with price pressures caused by supply-chain bottlenecks and continued fiscal measures. Growth is welcome, but the accompanying higher interest rates as the market prices in a change in monetary stimulus in 2022 or 2023 will pose a challenge to financial asset values. A stronger economy should be good for equities, but if future profits are discounted at higher interest rates, their values could be affected

Canada

The Canadian economy is expected to continue growing in the first quarter of 2021, extending the rebound that began in the second quarter of 2020. Even though the provincial governments have taken measures to control the third wave of COVID-19 currently under way and the measures should slow our economic progress, we still expect the Canadian economy to expand by more than 4% in 2021.

The real estate sector was again an important driver of Canada's economic growth in the first quarter. The sector continues to expand, as shown by the increase in the number of housing starts, but also by the rising prices of building materials.

The Bank of Canada said its target for the overnight rate would remain at 0.25% until the economic slack is absorbed, so that its 2% inflation target could be sustainably achieved — which is not expected to happen until 2023, according to its latest analysis.

United States

On March 17, Jerome Powell, Chair of the U.S. Federal Reserve Board, explained the Fed's new approach to changes in monetary policy. "The fundamental change in our framework is that we're not going to act pre-emptively based on forecasts for the most part." He also said, "With regard to interest rates, we continue to expect it will be appropriate to maintain the current zero to 0.25% target range for the federal funds rate until labor market conditions have reached levels consistent with the Committee's assessment of maximum employment and inflation has risen to 2% and is on track to moderately exceed 2% for some time."

The Fed intends to be very patient before making any changes to its monetary policy in order to avoid premature tightening that could slow the economy. It feels comfortable with this policy because inflation has been consistently below 2% for about two decades; it therefore thinks the risk of higher inflation on a sustained basis is very low. The takeaway for the financial markets is that the Fed is open to having inflation exceed 2% and stay there for some time; but that in turn means bond investors should demand a higher return to accept the risk. This would be expressed in the term premium, or the surplus return required for longer maturities compared with shorter maturities.

Bond Markets

By Hugues Sauvé, Vice President, Investments

Bonds had a difficult first quarter as the yield curve steepened. All maturities had a negative return during the quarter. The FTSE Canada Universe Bond Index was down 5.04% on a year-to-date basis, after returning 8.68% in 2020.

FTSE Russell Index Performance/First Quarter 2021 (%)

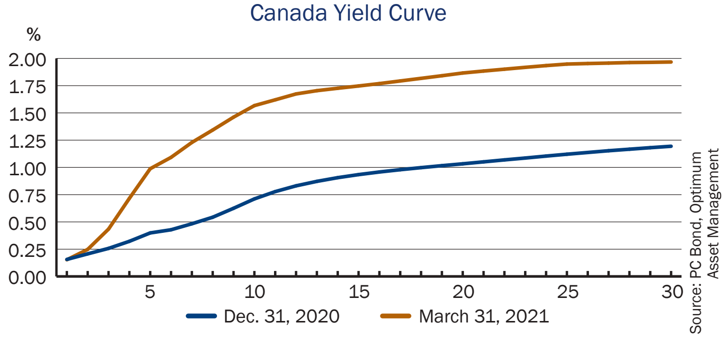
	Federal	Provincial	Municipal	Corporate	Total
Short	-0.58	-0.75	-0.85	-0.48	-0.59
Mid	-5.26	-4.62	-4.35	-3.41	-4.53
Long	-12.61	-11.19	-9.43	-8.28	-10.69
Universe	-3.72	-7.23	-6.05	-3.50	-5.04

Source: FTSE Russell

Federal Yield Curve in Canada

Canada's federal bond yield curve continued to steepen in the first quarter of 2021. The main change in the curve since the start of the year is that the segment from 10 to 30 years steepened by more than 77 basis points (bps), while the 2-year yield saw a modest increase of 2 bps.

Canada Yield Curve



Credit

As for credit spreads, they were stable, with movements based mainly on credit type and bond maturity. This context confirms the relevance of active management of different types of bonds and maturities to create value.

Quebec Spreads - Canada (b.p.)

Maturity	December 2020	January 2021	February 2021	March 2021
5 years	27	25	28	30
10 years	59	59	59	67
30 years	77	79	73	79

Source: FTSE Russell

Corporate Spreads - Canada (b.p.)

Maturity	December 2020	January 2021	February 2021	March 2021
5 years	60	59	61	68
10 years	112	102	100	97
30 years	169	162	156	158

Source: FTSE Russell

STRATEGY

We are maintaining a strategy focused on the quality of the holdings in our portfolios. We favour corporate bonds in low-volatility sectors that have strong business models and have seen little impact or a positive impact as a result of the pandemic. Our various absolute-return strategies, namely Private Market Income and Public Market Income, performed very well in the first quarter of 2021. The preferred share component of these strategies returned about 20%, which more than offset the decline in the value of the bonds in the portfolio. We think that the coming months will continue to be volatile, and that preferred shares still have room to appreciate, which means that these strategies are well positioned to generate our target return. That being said, we remain cautious about the overall economic situation, which could lead to a higher level of volatility.

Equities

By Martin Delage, Co-Chief Investment Officer

Canadian Equities

As noted, 2020 was an especially volatile year for the stock markets. In contrast, the first quarter of 2021 started strongly, with returns that are almost equivalent to what could be expected for an entire year.

In Canada, the energy and health care sectors recorded returns in excess of 20% and 37%, respectively. The financial sector, which accounts for almost a third of the Canadian index, returned nearly 14% during the quarter.

Global Equities

Globally, returns were positive for all the markets followed by Optimum Asset Management. The U.S. market advanced 4.75% during the quarter as a result of solid performances by the banking sector and energy. As for the European market, the United Kingdom recorded a return almost identical to that of the United States, namely 4.76%. As for France and Germany, the other two economic engines, their stock markets gained 2.89% and 2.18%, respectively.

Canadian Stock Index	Sector Returns	
	Q1 2021	2020
Information Technology	-1.06%	80.68%
Materials	-6.87%	21.24%
Consumer Discretionary	12.45%	17.05%
Industrials	6.62%	17.02%
Utilities	3.43%	15.28%
Consumer Staples	2.54%	4.29%
Financials	13.89%	1.62%
Telecommunications	7.07%	-3.73%
Real Estate	9.96%	-8.69%
Health Care	37.96%	-22.95%
Energy	20.32%	-26.57%
S&P TSX	8.05%	5.60%

Source: Bloomberg

International Stock Indexes	Total Return First Quarter	
	In local currency	In CAD
MSCI World	6.1%	3.5%
United States S&P 500	6.2%	4.8%
MSCI EAFE	7.6%	2.1%
MSCI Europe	7.6%	2.7%
Great Britain	5.2%	4.8%
Germany	8.5%	2.2%
Spain	5.1%	-0.5%
France	8.7%	2.9%
Italy	10.7%	4.2%
Switzerland	4.4%	-3.7%
MSCI Pacific	13.2%	11.3%
Japan	8.7%	0.2%
Hong Kong	7.5%	5.6%
Australia	14.1%	17.2%
Emerging Markets	4.0%	0.9%

Source: MSCI

STRATEGY

Even though the financial measures put in place by governments have provided some support to the economic sectors most affected by the crisis, we are still taking a cautious approach in managing our equity portfolios. We continue to emphasize our strategy of focusing on companies that meet our financial strength requirements so that the portfolios can generate long-term returns. In addition, our investment approach, which underweights the energy sector among others, allows us to have a smaller carbon footprint than that of the benchmark index. Optimum Asset Management's equity portfolios fit very well into a responsible investment approach. As for our approach to global equities, we are overweighting the Canadian market because we think it will offer more value in the year to come.

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WHO WE ARE?

Combined, our asset management subsidiaries manage $7.9 billion Canadian dollars globally for an institutional and private wealth clientele. These subsidiaries are held by Optimum Group, which employs more than 600 employees across Canada, the United States and in France.

Each strategy's performance derives from a composition of mandates which regroup the returns of several client portfolios with similar mandates and investment strategies. The performance is shown in Canadian dollars, before management fees and is annualized for all periods over one year.
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The indexes used in the present document are indexes which are widely recognized benchmarks used to measure investment performance for their respective asset classes and were chosen based on their degree of comparability and similarity with the investment strategies presented.
Optimum Asset Management Inc. cannot guarantee future performance of strategies. Values fluctuate frequently and past performance is not indicative of future performance.

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