Attachment 1: Flash Report - Fiera Global Equity Team to Create an Independent Firm

Flash Report

Fiera Capital's Montreal-Based Global Equity Team to create new firm – StonePine Asset Management Inc. ("StonePine")

Recommendation

On 11 August 2021, Fiera Capital ("Fiera") announced that it has agreed to establish a sub-advisory partnership with StonePine, a new independent firm to be led by Nadim Rizk, head of Fiera's Montreal-based Global Equity Team. The entirety of Mr. Rizk's invest team will move to StonePine and the new firm will continue to manage the Fiera Global, Global Focus, International, and US Equity strategies – all of which are rated "Buy (Closed)" by Aon with the exception of US Equity. StonePine is seeking the relevant registrations with regulators both in Canada and the US and the agreement is expected to close at the end of 2021. Considering this interaction appears to be quite amicable and has the blessing of Fiera's Chairman and CEO, Jean-Guy Desjardins, as well as its Global President and COO, Jean-Phillipe Lemay, and that the entire investment team is moving to StonePine, we suggest clients take no action because of this announcement and the "Buy (Closed)" ratings remain in place. In some cases, clients may need to formally provide consent to this change.

Although we were not privy to any discussions/negotiations regarding this change, we are not entirely surprised that the Montreal-based Global Equity Team has decided to form its own venture. We, on several occasions, have inquired about this team's future plans considering the size of the pool of assets it manages and segments of the compensation structure which resembled that of an independent firm. We also understand that several clients and/or potential clients had brought this up in discussions with the team in the past. This transaction brings about some positives such as greater independence and the ability to better control its own culture, but also comes with some risks for the team which will need to be monitored going forward. But in our view, we continue to have conviction in the strategies.

Background

- Mr. Rizk was recruited by Mr. Desjardins to join Fiera and manage its global strategies in 2009. Assets have grown significantly since then and the team now manages approximately CAD $60 billion as of June 2021. For context, Fiera broadly manages CAD $180 billion for clients across public and private asset classes.

- Detailed financial arrangements have not been disclosed but we have been told that the economics of the new arrangement will be similar to what was already in place, at least in the near future. We suspect that StonePine will have slightly higher expenses as the new firm would absorb additional costs from being independent. That said, they will continue to use Fiera's office space although the entire team will be moving to a separate floor. Until the arrangement closes, the Global Equity Team will leverage Fiera's back office, operations, IT infrastructure, and compliance but we do expect StonePine to inhouse some of these services in the future.

- Clients who have invested in the strategies through Fiera will see no difference in servicing or fees even after this agreement closes. If these strategies were to reopen in the future, we have been told that, for specialized mandates, fees offered by StonePine directly to clients should be comparable to those offered through Fiera.

In the agreement, there are clauses in place that restrict the level of assets that can transfer from Fiera to StonePine in any given year.

- In March 2021, Fiera announced the acquisition of AMP Capital's global equity business which included a four-person team and a small level of assets. Although this team's philosophy and process are different from that of Mr. Rizk and his team, both generally focus on quality and growth. We could envision Fiera replacing StonePine with this other team in some of their balanced/multi-asset funds in the future. We do not see this as the base case for specialized mandates.

- Once the transaction is complete, Fiera will not retain an economic interest in StonePine other than through the sub-advisory agreement. Fiera likely receives a significant amount of the economics where clients invest through Fiera. StonePine will be a fully independent investment manager in the future and assets could potentially trickle into the firm directly.

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