



QUARTERLY BULLETIN

DECEMBER 31, 2009

CANADIAN EQUITIES

Performance (see notes on reverse side)

As of 12/31/09 (CAD)	QTR	YTD	1 year	3 years	Since inception
Hexavest Composite	2.23%	45.90%	45.90%	5.74%	8.88%
S&P/TSX Capped	3.86%	35.05%	35.05%	-0.21%	2.90%
Value added	-1.63%	10.85%	10.85%	5.95%	5.98%

Positive factors (Quarter)

- Stocks: Overweight Consolidated Thompson (Materials), Canadian Utilities (Utilities), Quebecor and Cogeco (Cons. Disc.), as well as underweight Research in Motion (Technology).

Negative factors (Quarter)

- Sectors/Industries: Overweight Healthcare and underweight Materials.
- Stocks: Overweight Manulife (Financials) and Kinross Gold (Materials), and underweight Potash and Teck Resources (Materials).

Model Portfolio

SECTOR ALLOCATION

Sectors	Hexavest			S&P/TSX	Deviation*
	Canada	U.S.	Total*		
Energy	20.7%	-	20.7%	27.6%	-6.9%
Materials	14.6%	-	14.6%	19.4%	-4.8%
Industrials	5.4%	-	5.4%	5.6%	-0.2%
Consumer Discretionary	8.8%	-	8.8%	4.3%	4.5%
Consumer Staples	3.4%	1.2%	4.6%	2.8%	1.8%
Healthcare	0.0%	3.8%	3.8%	0.5%	3.4%
Financials	30.8%	-	30.8%	30.5%	0.3%
Technology	0.1%	-	0.1%	3.5%	-3.4%
Telecoms	6.1%	-	6.1%	4.3%	1.9%
Utilities	4.3%	-	4.3%	1.7%	2.7%
Cash	0.7%	-	0.7%	0.0%	0.7%
Total*	95.0%	5.0%	100.0%	100.0%	0.0%
Exposure to currencies	95.2%	4.8%	100.0%		

* Due to rounding, totals may differ slightly from sum of numbers presented.

TOP 10 STOCK HOLDINGS

Description	Sector	% of portfolio
Toronto Dominion Bank	Financials	5.2%
Manulife	Financials	5.1%
Royal Bank	Financials	4.5%
CIBC	Financials	4.2%
Sun Life	Financials	3.7%
Barrick Gold	Materials	3.5%
Cameco Corp.	Energy	2.9%
Encana Corp.	Energy	2.7%
Canadian Natural Resources	Energy	2.7%
Nexen	Energy	2.6%

CHARACTERISTICS

Characteristic	Hexavest	S&P/TSX
Weighted Avg. Market Cap. (M\$ CA)	24,471	26,250
0 to \$1B	0.3%	1.8%
1 to \$10B	39.6%	31.6%
>\$10B	60.1%	66.6%
P/E	11.6X	12.6X
P/B	1.6X	1.9X
Dividend Yield	3.1%	2.9%
ROE	12.8%	16.0%
Expected earnings growth	19.1%	22.5%

Strategy

- The colossal fiscal and monetary stimulus packages are having a greater impact on economic activity than we had anticipated. Although we doubt the economic recovery will last, all the ingredients are currently in place to recreate conditions for a financial assets bubble. On the valuation front, we remain neutral despite the impressive rally of 2009. Earnings growth could exceed 2010 expectations as additional cost-cutting measures, albeit less significant than in 2009, will continue to prop up margins. Sales volumes could surprise on the upside owing to expectations of an improving labor market and a healthy global economy. In terms of sentiment, very few investors are overweight in the stock markets as many fear a second leg to the recession. If economic data continues to be positive, cash that is sitting on the sidelines could be redeployed towards equities in the coming months. **We are anticipating positive stock market returns for the first half of 2010 and, consequently, we are maintaining our bullish positioning.**
- In terms of sector allocation, we are currently underweight in Energy. Worldwide demand has fallen off a cliff, with revival seen only in developing countries. Inventories and spare capacity are very high and, in our opinion, do not support a barrel of oil at \$80. Stocks are expensive at 17X next year's earnings - a trough cycle multiple. Moreover, investors are massively overweighting energy stocks and net long future positions are already back at a record level: a negative indicator for our contrarian sentiment vector. **We are therefore underweight in the Energy sector by almost 7%.**
- In terms of stock selection, Manulife is currently one of our high-conviction holdings. The company has succeeded in building a fortress of capital. It also benefits from rising equity markets and improving credit markets given its fixed annuities. The stock is trading at 1X its book value - a discount compared to banks and the company's historical valuation. In terms of sentiment, Manulife appears oversold as investors dumped the stock last quarter when management announced an unexpected equity financing. **We have a 2.5% overweight position in Manulife.**



QUARTERLY BULLETIN

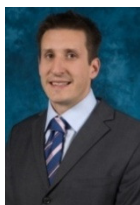
DECEMBER 31, 2009

CANADIAN EQUITIES

Investment Team



Vital Proulx, CFA
Overall Portfolio
Strategy



J.-R. Adam, M.Sc., CFA
PM - North America



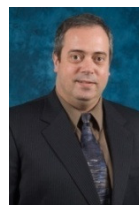
Denis Rivest, CFA
PM - Europe



Marc Lavoie, M.Sc., CA, CFA
PM - Europe



J.-B. Leblanc, M.Sc., CFA
Analyst - Europe



Marc Veilleux, Ph.D.
Director of Research,
PM - Asia



Frédéric Imbeault, M.Sc., CFA
PM - Asia



Robert Brunelle, CFA, a.s.a.
Chair of Investment Committee
Client Services

Distinctive Elements

Exceptional performance and risk/return profile

Experienced, stable, and highly motivated team

- Team built steadily over 18 years
- Responsibilities clearly outlined
- Efficient decision making process

Clearly defined Philosophy and Style

- Consistently applied for over 18 years

Proprietary process, rigorous and well tested

- Fundamental research supported by proprietary quantitative models
- Continuous risk management

Client service suited to your needs

Philosophy

We believe that by actively managing all drivers of performance we maximize our chances of success and diversify our risks.

➔ Core portfolio

We strive to protect the capital of our clients.

➔ Value bias

Our competitive edge lies in our analysis of macro-economic factors and excess management at the security decision level.

➔ Top-down approach

The vast quantity of economic and financial data requires a structured process.

➔ Proprietary quantitative models supporting fundamental research

Summary

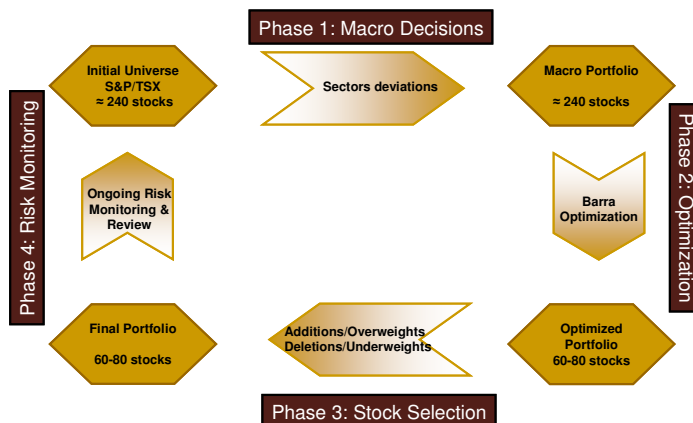
Benchmark:	S&P/TSX Capped
Value added objective:	2% (4-year moving periods)
Tracking error:	3% to 5%
# of holdings:	60 to 80
Foreign content:	Maximum 10%
Cash:	maximum 10%

Sector Deviations vs Benchmark

W: Sector weight in Index	Minimum	Maximum
W < 10%	0	W + 10%
10% < W < 20%	W - 10%	W + 10%
W > 20%	50% x W	Min (W + 10% ; 35%)

For more information, please contact Robert Brunelle at (514) 390-1225 or rbrunelle@hexavest.com

Process



Notes on performance

The inception date of the composite is October 1, 2006.

Performance results are presented gross of management and custodial fees.

As of June 30, 2009, fund expenses were 0.23%.