# QUARTERLY BULLETIN

DECEMBER 31, 2008

HEXAVEST

# GLOBAL EQUITIES

## Performance (see notes on reverse side)

| As of 12/31/08 (CAD) | QTR | YTD | 1 year | 3 years | 5 years | 10 years | Since inception |
|---|---|---|---|---|---|---|---|
| **Hexavest Composite** | **-2.63%** | **-8.53%** | **-8.53%** | **-0.62%** | **3.21%** | **2.49%** | **2.49%** |
| MSCI World Net | -9.17% | -25.84% | -25.84% | -6.39% | -1.41% | -2.79% | -2.79% |
| **Value added** | **6.54%** | **17.31%** | **17.31%** | **5.77%** | **4.62%** | **5.28%** | **5.28%** |

**Positive factors (Quarter)**

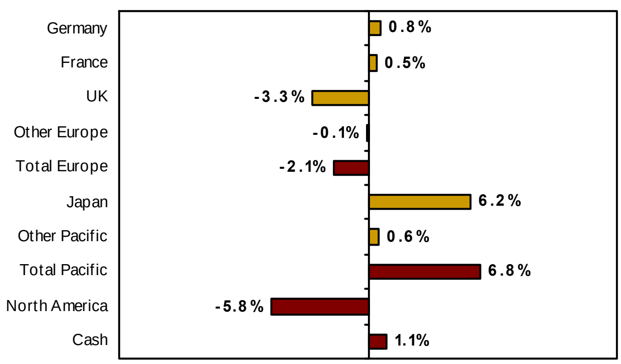
- Regions/Countries: Cash at the beginning of the quarter in declining markets.
- Sectors/Industries: Overweight positions in Utilities, Healthcare and Staples (3 regions).
- Currencies: Overweight position in the Yen. Underweight positions in the Pound and Canadian Dollar.
- Stocks: In the US, overweight positions in Sunoco (Energy), Bristol Myers (Healthcare) and Family Dollar Store (Cons. Staples). In Europe, overweight positions in Vodafone (Telcos) and BSkyB (Cons. Discr.). In Asia, overweight positions in Seven & I (Cons. Staples) and Newcrest Mining (Materials).

**Negative factors (Quarter)**

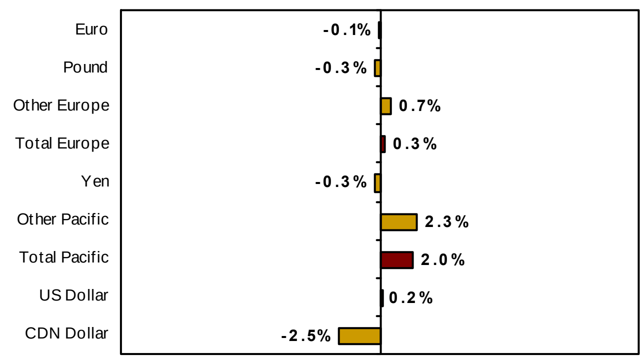
- Regions/Countries: Underweight position in the UK.
- Sectors/Industries: Underweight position in Energy (Europe and Asia). Overweight position in Golds (US & Europe).
- Stocks: In the US, overweight position in Pilgrim's Pride (Cons. Staples) and underweight position in Exxon Mobil (Energy). In Europe, overweight positions in RBS (Financials) and Peugeot (Cons. Discr.). In Asia, underweight position in BHP Billiton (Materials) and overweight positions in Sumitomo Mitsui (Financials) and Astellas Pharma (Healthcare).

## Model Portfolio

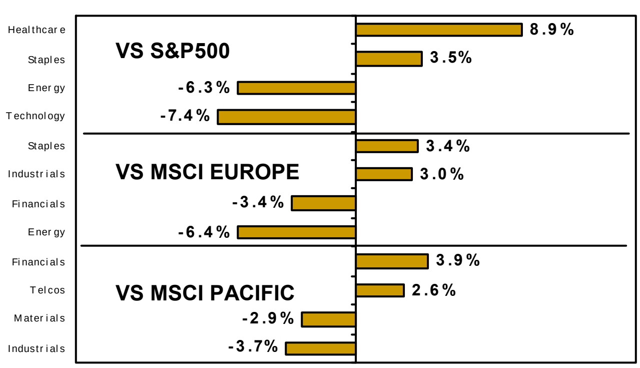
**COUNTRY DEVIATIONS VS MSCI WORLD**




**CURRENCY DEVIATIONS VS MSCI WORLD**




**MAJOR SECTOR DEVIATIONS (EX. CASH)**




**TOP 10 STOCK HOLDINGS**

| Description | Country/Region | Sectors | % of Portfolio |
|---|---|---|---|
| ETF Financials | US | Financials | 5.0% |
| Pfizer | US | Healthcare | 1.5% |
| Merck | US | Healthcare | 1.3% |
| Nestlé | Switzerland | Staples | 1.2% |
| Pepsico | US | Staples | 1.2% |
| Abbott Labs | US | Healthcare | 1.1% |
| McKesson | US | Healthcare | 1.1% |
| Wyeth | US | Healthcare | 1.1% |
| Philip Morris Intl. | US | Staples | 1.0% |
| Johnson & Johnson | US | Healthcare | 1.0% |

## Strategy

- Our initial analysis shows that most strategists are anticipating a disappointing start to 2009 for stock markets, followed by a robust second half. Our contrarian bias leads us to believe that the opposite might occur. The hope that concerted efforts by governments and central banks will succeed in putting the economy on a growth path again and in easing the credit crisis could fuel stock markets in the first two quarters. Generally speaking, bull rallies in bear markets can be quite convincing and investors who had planed to invest at a later date might be tempted to do so sooner. **Consequently, we have eliminated the defensive bias that was put in place in April 2006.**
- Demand for basic materials has been falling off a cliff along with the economy. Prices are so low that many mines are closing as the cost to extract the minerals is higher than the selling price. Moreover, due to the credit crisis, many companies cannot find financing and they must cancel projects. As a result, we think that a shortage in supply will build up in years to come. Finally, many governments have announced plans to invest trillions on infrastructure which should put a floor on metals & minerals prices. **We have been slowly adding Metals & Mining stocks in all regions.**
- As we had anticipated, the deleveraging process favored the Yen. After a tremendous performance against all major currencies, the Yen is now overvalued. **We have eliminated our overweight position in the Yen.** Since the start of this financial crisis, we feel that the ECB's actions have been behind the curve and we have greater confidence in the efforts of the Bank of England to stem the crisis. **Early in 2009, we initiated an overweight position in the Pound against the Euro.**

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DECEMBER 31, 2008

HEXAVEST

## GLOBAL EQUITIES

## Investment Team

*Vital Proulx, CFA*
Overall Portfolio
Strategy

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

*Denis Rivest, CFA*
PM - Europe

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

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

*Jean-René Adam, M.Sc., CFA*
PM - North America

*Robert Brunelle, ASA, CFA*
Chair of Investment Committee
Client Servicing

## Distinctive Elements

### Exceptional performance and risk/return profile

### Experienced, Stable, and highly motivated team
- Team built steadily over 15 years
- Responsibilities clearly outlined
- Efficient decision making process

### Clearly defined Philosophy and Style
- Consistently applied for over 15 years

### Proprietary process, rigorous and well tested
- Fundamental research supported by proprietary quantitative models
- Continuous risk management

### Client servicing suited to your needs

## Philosophy ⇨ Style

| Philosophy | Style |
|---|---|
| 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

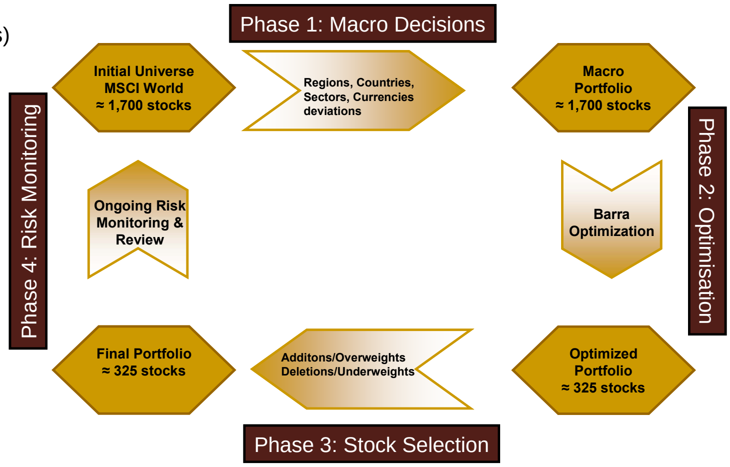
| | |
|---|---|
| Benchmark: | MSCI WORLD |
| Value added objective: | 2% (4-year moving periods) |
| Tracking error: | 3% to 5% |
| # of holdings: | 325 on average |
| Derivatives exposure: | 0% to 40% |
| Active currency management: | Yes |
| Cash: | 0% to 10% |

**Deviations vs Benchmark**

| | |
|---|---|
| Regions (ex. US): | ± 15% |
| Countries (ex. US): | ± 15% |
| Currencies (ex. US) | ± 15% |
| US (market and currency) | |
| Max: | + 15% |
| Min: | -Max(15% ; 40% x Index weight) |
| Sectors: | ± 10% |

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

## Process




## Notes on performance

The performance shown is that of a composite of Global Equity mandates managed by Mr. Vital Proulx and his team at Natcan (1999 to 2004) and Hexavest (since May 2004).

The inception date of the composite is January 1, 1999.

Performance results are presented gross of management and custodial fees. Management fees for pooled fund mandates are:

| | |
|---|---|
| 0 to $10 M: | 0.60% |
| $10 M to $40 M: | 0.50% |
| > $40 M: | 0.40% |

As of June 30, 2008, custodial fees were 0.14%.