

## GLOBAL EQUITIES

Performance (see notes on reverse side)

As of 06/30/07 (US\$)	QTR	YTD	1 year	3 years	5 years	Since inception
Hexavest Composite	3.46%	4.65%	15.78%	16.23%	16.98%	9.34%
MSCI World Net	6.51%	9.17%	23.59%	16.73%	14.00%	5.56%
<b>Value added</b>	<b>-3.05%</b>	<b>-4.52%</b>	<b>-7.81%</b>	<b>-0.50%</b>	<b>2.98%</b>	<b>3.78%</b>

### Positive factors (Quarter)

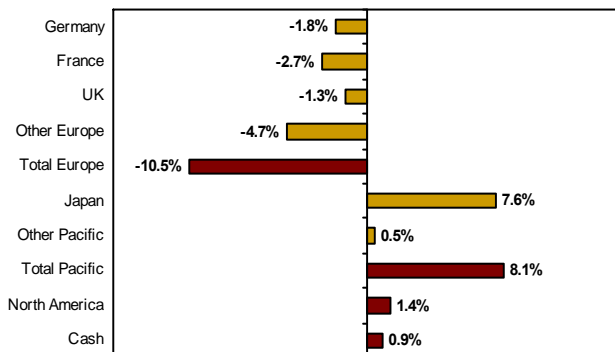
- Sector allocation: In Europe and in the US, underweight position in Financials, and overweight positions in Telecoms (Europe) and Industrials (US).
- Stock selection: Vodafone and Nokia (Europe), Oxiana (Materials in Australia), Canon, Kyocera and Toshiba (Technology in Japan), and Kraft Foods, CVS Caremark and Altria (Consumer Staples in the US).

### Negative factors (Quarter)

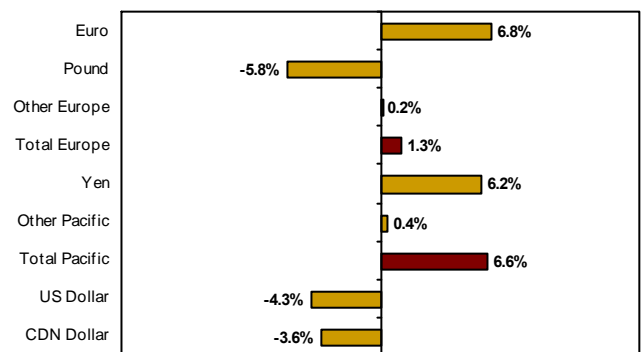
- Regional allocation: Overweight position in Asia vs Europe.
- Sector/Industry allocation: Underweight position in Energy (best performing sector) and overweight positions in Consumer Staples and Healthcare as well as in gold stocks (Materials).
- Stock selection: Chugai Pharma (Healthcare in Japan) and Glaxosmithkline (Healthcare in Europe).

## Model Portfolio

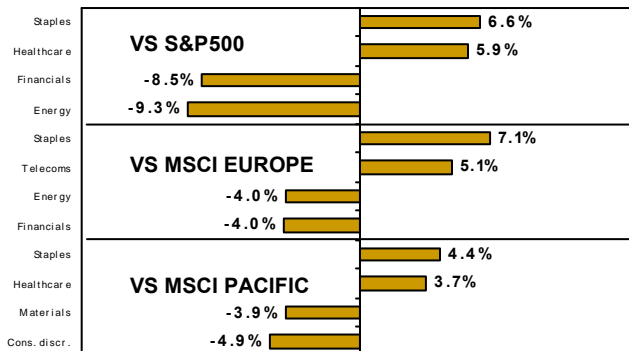
### COUNTRY DEVIATIONS VS MSCI WORLD



### CURRENCY DEVIATIONS VS MSCI WORLD



### MAJOR SECTOR DEVIATIONS (EX. CASH)



### TOP 10 STOCK HOLDINGS

Description	Country/Region	% of Portfolio
Intel	United States	1.5%
Pfizer	United States	1.5%
Johnson & Johnson	United States	1.5%
Altria Group	United States	1.4%
General Electric	United States	1.4%
Merck & Co.	United States	1.3%
Emerson Electric	United States	1.1%
Kimberly-Clark	United States	1.0%
IBM	United States	1.0%
McDonald's	United States	1.0%

## Strategy

- Our defensive strategy, which has been in place since spring 2006, was based on the slowdown of the American housing market. We thought its downturn – the first domino to fall – would curtail US consumer spending, Chinese production, the global economy, profit growth, and stock markets worldwide. At this moment, it appears that this domino fell too far from the second one to effect any kind of chain reaction. The market, however, is barely starting to grasp what kind of implications a subprime market meltdown will have on other financial instruments that stem from it. The closing of two Bear Stearns hedge funds is just the tip of the iceberg. **We are therefore maintaining our defensive bias.**
- Extensive monetary tightening and higher inflation will have a negative effect on the European economy. What's more, based on the median stock, the European market has rarely been so overvalued as it is currently, and crowd sentiment is overly optimistic. **We are therefore underweighting Europe vs Asia and the US.**
- Asian Techs are displaying impressive growth. Stocks are offered at a reasonable price while product demand and sentiment are reviving. We have therefore been accumulating positions on weakness since the beginning of 2007 and **we have transformed our underexposure of 5% into an overexposure of 2%.**
- **We favor the Yen and Euro over the Pound, US, Aussie and Canadian Dollars.** Japan's Central Bank has just entered its cycle of normalizing rates while the Bank of England is nearing the end of its cycle. What's more, the Yen, compared to other main currencies, is heavily undervalued.

## GLOBAL EQUITIES

### Investment Team



*Vital Proulx, CFA*  
Overall Portfolio Strategy



*Marc Veilleux, Ph. D.*  
Pacific Rim  
Director of Research  
Currency Management  
Quantitative Models



*Denis Rivest, CFA*  
Europe  
Risk Management



*Frédéric Imbeault, M.Sc., CFA*  
Japan  
Quantitative Models



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



*Jean-René Adam, M.Sc., CFA*  
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
- All portfolio managers are shareholders

#### Clearly defined Philosophy and Style

- Consistently applied for over 10 years

#### Proprietary process, rigorous and well tested

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

#### Client servicing 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.



**Top-down approach**

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



**Proprietary quantitative models supporting fundamental research**

### Summary

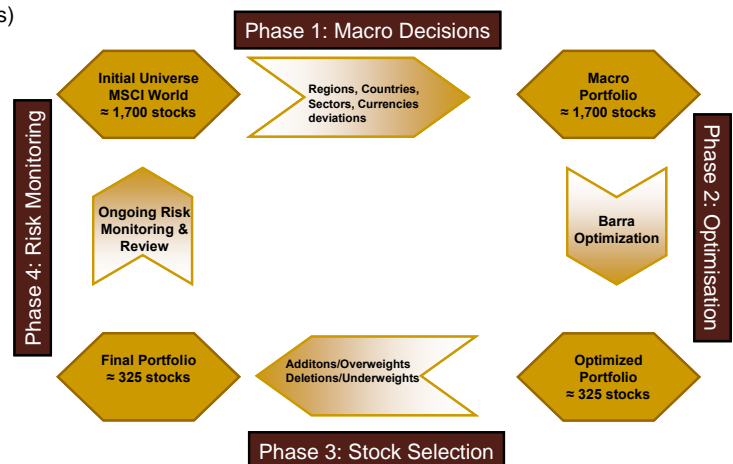
Benchmark:	MSCI WORLD
Value added objective:	2% (4-year moving periods)
Tracking error:	3% to 5%
# of holdings:	325 on average
Derivatives exposure:	0% to 40%
Active currency management:	Yes
Cash:	0% to 10%

#### Deviations vs Benchmark

Regions:	± 15%*
Countries:	± 15%*
Currencies:	± 15%*
Sectors:	± 10%*

\* With minor variations as outlined in the investment guidelines.

### Process



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

### 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).

Performance results are presented gross of investment management fees.

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

Hexavest is a registered investment adviser specializing in international equity investment management. Hexavest claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of Hexavest's composite and/or presentation that complies with the GIPS, contact Robert Brunelle at 514-390-1225.