

## INTERNATIONAL EQUITIES

### Performance (see notes on reverse side)

As of 03/31/07 (US\$)	QTR	1 year	3 years	5 years	10 years
<b>Hexavest Composite</b>	<b>3.03%</b>	<b>14.63%</b>	<b>17.37%</b>	<b>18.55%</b>	<b>10.09%</b>
MSCI EAFE Net	4.08%	20.20%	19.83%	15.78%	8.31%
<b>Value added</b>	<b>-1.05%</b>	<b>-5.57%</b>	<b>-2.46%</b>	<b>2.77%</b>	<b>1.78%</b>

#### Positive factors (Quarter)

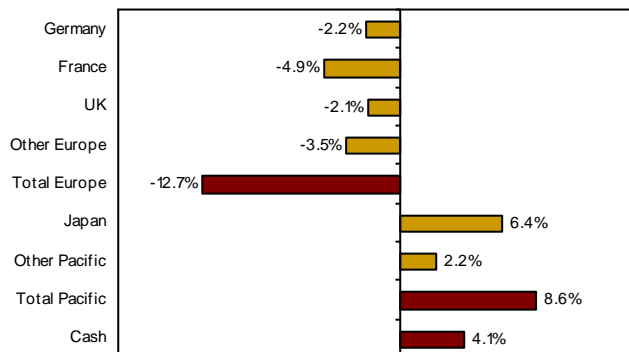
- Sector allocation: Overweight position in Consumer Staples (Europe) and underweight positions in Technology and Financials.
- Stock selection: Tobacco stocks in Europe (Imperial Tobacco and British American Tobacco) and Consumer Staples in Australia (Coles Group, Woolworths, and Goodman Fielder).

#### Negative factors (Quarter)

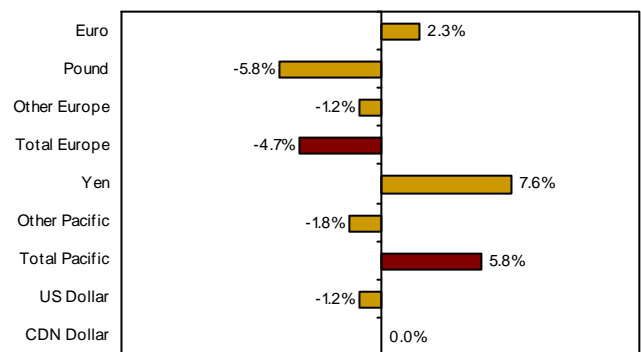
- Sector allocation: Underweight position in Materials (best performing sector).
- Stock selection: Underweight position in the Auto industry (Europe) and Materials with Bendigo Mining which we sold last January.

### Model Portfolio

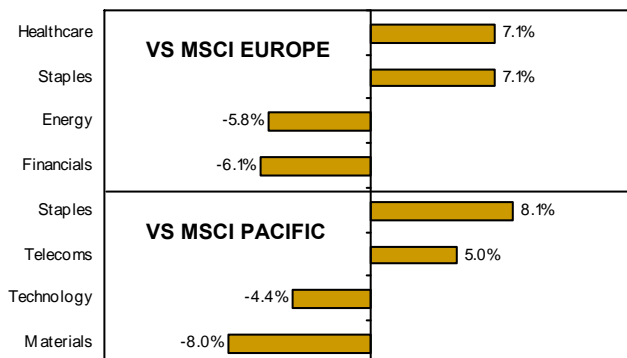
#### COUNTRY DEVIATIONS VS MSCI EAFE



#### CURRENCY DEVIATIONS VS MSCI EAFE



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



#### TOP 10 STOCK HOLDINGS

Description	Country/Region	% of Portfolio
Nestlé	Switzerland	2.1%
Novartis	Switzerland	1.9%
Roche Holdings	Switzerland	1.8%
Telefonica SA	Spain	1.7%
Vodafone Group	United Kingdom	1.5%
Glaxosmithkline	United Kingdom	1.5%
ING Groep NV	Netherlands	1.4%
Mitsubishi UFJ	Japan	1.3%
Unilever	Netherlands	1.2%
British American Tobacco	United Kingdom	1.2%

### Strategy

- To date, the U.S. Construction industry and Real Estate market, two entirely domestic sectors of activity, have been hardest hit by the economic slowdown. Not surprisingly, the debate centers on the contagion effect or lack thereof. Uncle Sam's land accounts for 30% of the global economy (5% for China) and is the world's leading importer of goods. Therefore, as in previous U.S. recessions, a drop in American consumer spending will trigger the contagion effect across the globe. **We are therefore maintaining the defensive bias of our portfolio.**
- **We favor Japan from a geographical standpoint.** In May 2007, the new act on M&As will come into force, thus paving the way for foreign companies to merge with or acquire Japanese firms. The Japanese M&A market is in its early stages. In fact, it accounts for only 2% to 3% of that country's market capitalisation; far behind the U.S. and Europe at 10%.
- Globally, **we are also underweighting Energy stocks.** After increasing production capacity, OPEC must now impose production cuts on its member countries in order to stabilize oil prices. Non-OPEC member countries, however, have been increasing their production. What's more, oil companies are facing pressures from rising costs. In Asia, **we favor the Hongkongese Real Estate industry and Japanese Banks.** Real Estate stocks in our portfolio trade at a discount: 13x to 16x the 2007 earnings compared to 19x for the MSCI Pacific index and sentiment is low owing to China's monetary tightening policy. As for Japanese Banks, their loan volumes and profit margins are rising. Redistribution to shareholders should therefore increase.
- **Few changes in currency management.** The Yen remains heavily undervalued against the Pound.



# QUARTERLY BULLETIN

MARCH 31, 2007

## INTERNATIONAL 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 15 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

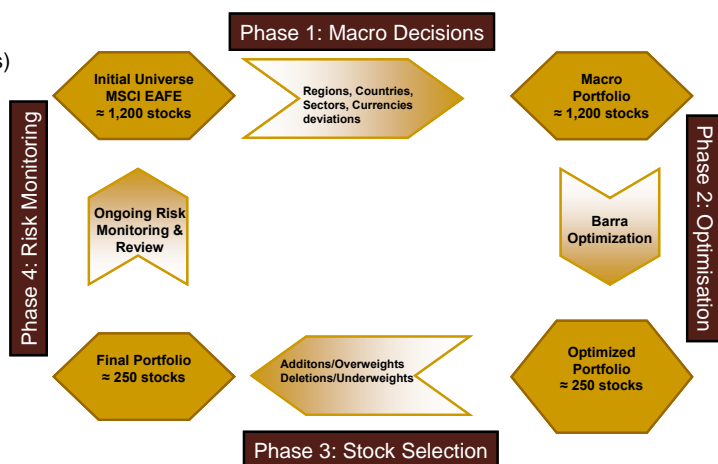
Benchmark:	MSCI EAFE
Value added objective:	2% (4-year moving periods)
Tracking error:	3% to 5%
# of holdings:	250 on average
Derivatives exposure:	0% to 40%
Active currency management:	Yes
Cash:	0% to 10%

#### Deviations vs Benchmark

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

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

### Process



### Notes on performance

The performance shown is that of a composite of EAFE mandates managed by Mr. Vital Proulx and his team at St. Lawrence Financial Consultants (from 1991 to 1996), Kogeva (from 1997 to 1998), Natcan (1998 to April 2004) and Hexavest (Since May 2004).

Performance results are presented gross of investment management fees.

The inception date of the composite is May 1, 1991.

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.