QUARTERLY BULLETIN

DECEMBER 31, 2006

INTERNATIONAL EQUITIES

Performance (see notes on reverse side)

As of 12/31/06 (CAD$)	QTR	1 year	3 years	5 years	10 years	Since inception
Hexavest Composite	**11.19%**	**20.07%**	**14.62%**	**11.19%**	**8.48%**	**10.38%**
MSCI EAFE Net	15.11%	25.86%	15.81%	7.93%	5.96%	7.81%
Value added	**-3.92%**	**-5.79%**	**-1.19%**	**3.26%**	**2.52%**	**2.57%**

Positive factors (Quarter)

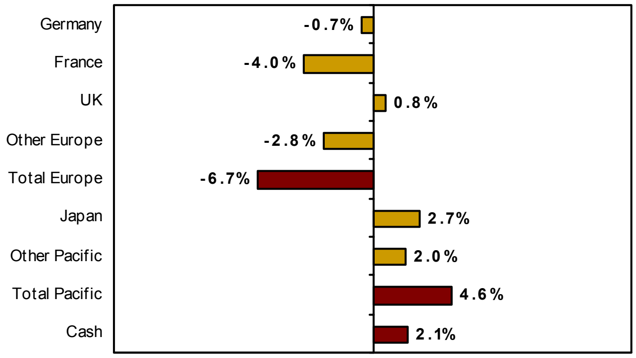
- Regional allocation: Elimination of the underweight position in the Pacific region.
- Sector allocation: Overweight position in Telecoms (best performing sector) and underweight position in Energy.

Negative factors (Quarter)

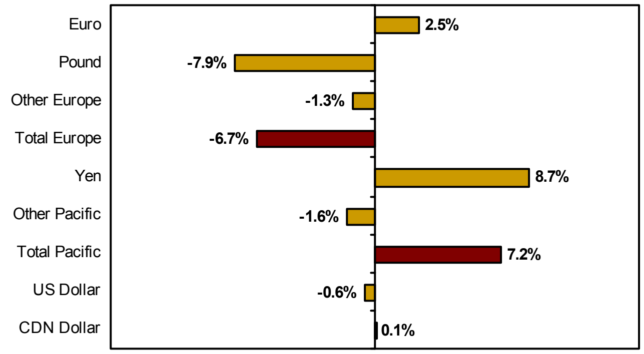
- Currency allocation: Underweight position in the British Pound against an overweight position in the Yen.
- Sector allocation: Overweight position in Health Care (worst performing sector).
- Stock selection: Bendigo Mining in Materials, and Coles Group and Seven & I in Consumer Staples.

Model Portfolio

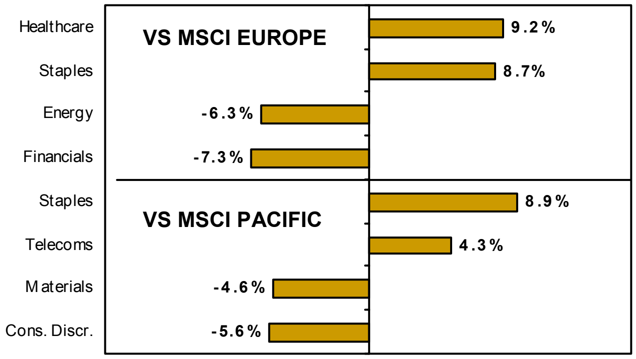
COUNTRY DEVIATIONS VS MSCI EAFE



CURRENCY DEVIATIONS VS MSCI EAFE



MAJOR SECTOR DEVIATIONS (EX. CASH)



TOP 10 STOCK HOLDINGS

Description	Country/Region	% of Portfolio
Glaxosmithkline	UK	2.3%
Nestlé	Switzerland	2.0%
Novartis	Switzerland	2.0%
Roche Holdings	Switzerland	1.9%
Telefonica SA	Spain	1.7%
Deutsche Telekom	Germany	1.7%
Goodman Fielder	Australia	1.7%
Vodafone Group	UK	1.6%
ING Groep NV	Netherlands	1.5%
Takeda Pharmaceutical	Japan	1.3%

Strategy

- Since the market lows of early 2003, the MSCI Europe and MSCI Pacific indices are up by 123% and 128%, respectively. This stunning progression – without any significant correction – is one of the longest in stock market history. We believe such performance induces complacency and leads investors to raise their risk tolerance. In this environment, we doubt markets will be strong in 2007 and, therefore, **we are maintaining the defensive bias of the portfolio.**
- **Last November we eliminated our underweight position in Japan.** Japanese consumers reduced their spending in 2006 due to temporary factors such as last summer's bad weather, a heavier fiscal burden, and small wage increases. In 2007, scarcity of labor and record profits of Japanese companies should lead to better compensation for Japanese workers, which in turn will bolster confidence and increase consumer pending. Furthermore, profit expectations for 2006 are very conservative and upward earnings revisions should be in great numbers.
- **We made very few changes to our sector allocation strategy since the end of the third quarter.** Our largest overweight position remains in Consumer Staples across all regions. For the first time in five years, earnings momentum (Upgrades vs Downgrades) is positive and has a beta of 0.54 against the MSCI EAFE index; clear indications this sector has defensive characteristics.
- Greatly helped by the hedge fund industry, capital flows dominated fundamentals in currency movements last year. The low interest rate environment in Japan continued to favor carry-trades and played against the Yen. Given the high probability that the Bank of Japan increases its rates in 2007 and given the large discount of the Yen from a valuation standpoint, **we are maintaining our overweight position in this currency.**

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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 ⇨ 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

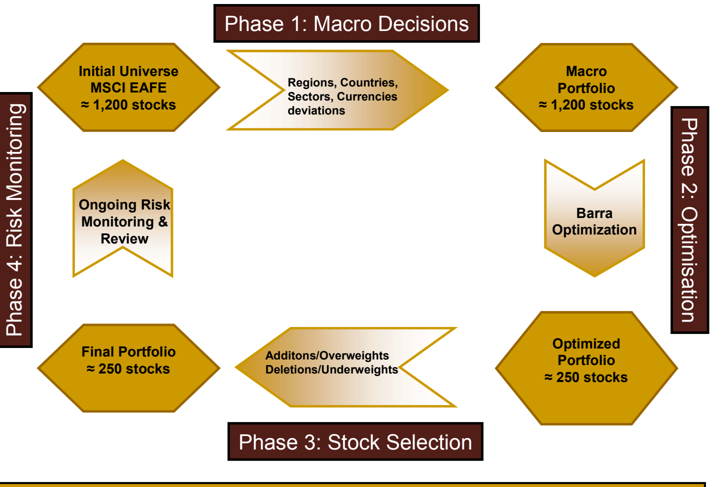
Benchmark:	MSCI EAFE
Value added objective:	2% (4-year moving periods)
Tracking error:	3% to 5%
# of holdings:	250 on average
Derivatives exposure:	0% to 40%
Active currency management:	Yes
Cash:	0% to 10%

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

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).

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

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, 2006, custodial fees were 0.13%.