



QUARTERLY BULLETIN

DECEMBER 31, 2009

US EQUITIES

Performance (see notes on reverse side)

As of 12/31/09 (CAD)	QTR	YTD	1 year	3 years	5 years	10 years	Since inception
Hexavest Composite	-0.32%	11.43%	11.43%	-2.92%	1.85%	0.30%	8.96%
S&P 500	3.57%	7.39%	7.39%	-8.85%	-2.23%	-4.12%	7.66%
Value added	-3.89%	4.04%	4.04%	5.93%	4.08%	4.42%	1.30%

Positive factors (Quarter)

- Sectors/Industries: Overweight Pharmaceuticals.
- Stocks: Overweight Merck (Healthcare), Consolidated Thompson (Materials), ConocoPhillips (Energy), and Microsoft (Technology).

Negative factors (Quarter)

- Regions/Countries: Slight overweight position in Canada.
- Sectors/Industries: Overweight Financials.
- Stocks: Overweight Citigroup and Bank of America (Financials), and underweight Google and Apple (Technology).

Model Portfolio

SECTOR DEVIATIONS

Sectors	Hexavest			S&P 500	Deviation *
	U.S.	Canada	Total *		
Energy	7.1%	0.6%	7.7%	11.5%	-3.8%
Materials	0.0%	1.5%	1.5%	3.6%	-2.1%
Industrials	10.3%	-	10.3%	10.2%	0.1%
Consumer Discretionary	10.1%	-	10.1%	9.6%	0.5%
Consumer Staples	12.3%	-	12.3%	11.3%	1.0%
Healthcare	14.4%	-	14.4%	12.6%	1.8%
Financials	22.6%	-	22.6%	14.4%	8.2%
Technology	11.1%	-	11.1%	19.9%	-8.8%
Telecoms	2.4%	-	2.4%	3.1%	-0.7%
Utilities	7.0%	-	7.0%	3.7%	3.3%
Cash	0.5%	-	0.5%	0.0%	0.5%
Total *	97.9%	2.1%	100.0%	100.0%	0.0%
Currency exposure	98.1%	1.9%	100.0%		

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

TOP 10 STOCK HOLDINGS

Description	Sector	% of portfolio
Microsoft	Technology	3.9%
Pfizer	Healthcare	3.7%
Procter & Gamble	Staples	3.7%
Bank of America	Financials	3.5%
General Electric	Industrials	3.3%
Merck & Co.	Healthcare	3.3%
ConocoPhillips	Energy	3.1%
Abbott Laboratories	Healthcare	2.9%
Citigroup	Financials	2.6%
Walmart	Staples	2.5%

CHARACTERISTICS

Characteristic	Hexavest	S&P 500
Weighted Avg. Market Cap. (\$M) *	78,011	80,362
0 to \$10B	15.2%	14.6%
10 to \$50B	38.3%	39.6%
>\$50B	46.5%	45.8%
P/E	9.9X	12.7X
P/B	1.4X	2.2X
Dividend Yield	3.8%	2.5%
ROE	11.6%	18.8%
Expected earnings growth	2.9%	8.5%

* Market Cap information is in US\$

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 4%.**
- In terms of stock selection, General Electric is currently one of our high-conviction holdings. The company has been highly affected by the recession mainly through GE Capital, its finance unit. However, money has been raised to shore up capital and it looks like the commercial real estate market may have reached its trough: a positive outcome for GE Capital's loan portfolio. On the valuation front, General Electric shares currently trade at a level where only the industrial segment is priced in, leaving GE Capital as a free option. The stock has lagged the market and sentiment is negative. **We have a 1.6% overweight position in General Electric.**

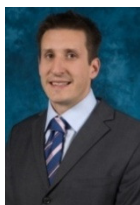


US EQUITIES

Investment Team



Vital Proulx, CFA
Overall Portfolio
Strategy



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



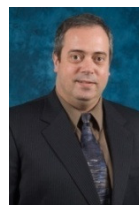
Denis Rivest, CFA
PM - Europe



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

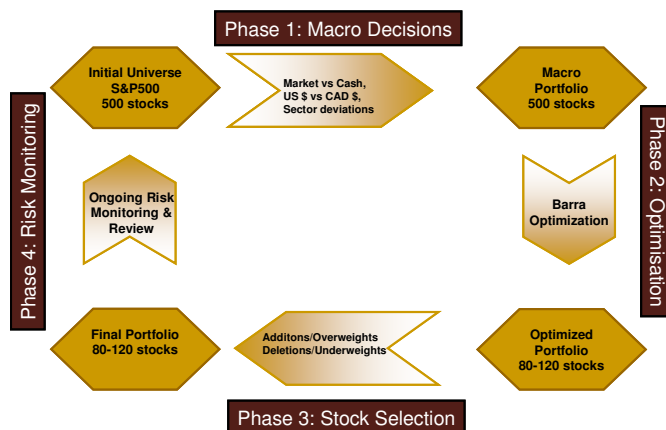
Summary

Benchmark:	S&P 500
Value added objective:	2% (4-year moving periods)
Tracking error:	3% to 5%
# of holdings:	80 to 120
Derivatives exposure:	0% to 20%
Active currency management:	Yes
Cash:	0% to 20%

Deviations vs Benchmark

Sectors: ± 10%

Process



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

Notes on performance

The performance shown is that of a composite of S&P500 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 \$10M:	0.60%
\$10 M to \$40M:	0.50%
> \$40M:	0.40%

As of June 30, 2009, fund expenses were 0.05%.