

US EQUITIES

Performance (see notes on reverse side)

As of 09/30/08 (CAD\$)	QTR	YTD	1 year	3 years	5 years	10 years	Since inception
Hexavest Composite	1.64%	-5.49%	-7.21%	0.39%	2.58%	2.61%	9.12%
S&P 500	-3.98%	-13.05%	-16.52%	-2.67%	0.27%	-0.60%	8.40%
Value added	5.62%	7.56%	9.31%	3.06%	2.31%	3.21%	0.72%

Positive factors (Quarter)

- Regions/Countries: Cash position in a declining market.
- Sectors/Industries: Underweight positions in Energy and Materials. Overweight positions in Healthcare and Staples.
- Stocks: Overweight positions in Kraft Foods and Procter & Gamble (Staples). Overweight positions in Microsoft and Cisco and no positions in Google and Apple (Technology).

Negative factors (Quarter)

- Sectors/Industries: Underweight position in Financials (surprisingly up 0.8% for the quarter). Overweight position in Utilities.
- Stocks: Overweight positions in Wyeth and Merck (Healthcare).

Model Portfolio

SECTOR DEVIATIONS

Sectors	Hexavest			S&P 500	Deviation
	U.S.	Canada	Total		
Energy	4.5%	1.1%	5.6%	13.4%	-7.8%
Materials	0.5%		0.6%	3.4%	-2.8%
Industrials	9.1%		9.1%	11.1%	-2.0%
Consumer Discretionary	4.1%	0.6%	4.7%	8.5%	-3.8%
Consumer Staples	20.8%		20.8%	12.2%	8.6%
Healthcare	21.6%		21.6%	13.1%	8.5%
Financials	9.3%		9.3%	15.8%	-6.5%
Technology	8.3%	0.1%	8.4%	16.0%	-7.6%
Telecoms	2.3%		2.3%	3.0%	-0.7%
Utilities	9.9%		9.9%	3.6%	6.3%
Cash	7.9%		7.9%		7.9%
Total	98.3%	1.7%	100.0%	100.0%	0.0%
<i>Currency exposure</i>	<i>100.0%</i>	<i>0.0%</i>			

TOP 10 STOCK HOLDINGS

Description	Sector	% of portfolio
Microsoft Corp.	Technology	3.3%
Johnson & Johnson	Healthcare	3.2%
Procter & Gamble	Consumer Staples	2.8%
General Electric	Industrials	2.7%
Pfizer	Healthcare	2.6%
Philip Morris Intl.	Consumer Staples	2.5%
Abbott Labs	Healthcare	1.9%
Walmart	Consumer Staples	1.8%
Kraft Foods	Consumer Staples	1.8%
Lockheed Martin	Industrials	1.8%

CHARACTERISTICS

Characteristic	Hexavest	S&P 500
Weighted Avg. Market Cap. (\$M) *	77,999	85,815
0 to \$10 B	9.7%	13.0%
10 to \$50 B	48.3%	41.5%
>\$50 B	42.0%	45.5%
P/E (forecasted)	10.8X	12.6X
P/B	2.3X	2.3X
Dividend Yield	2.8%	2.3%
ROE	20.6%	21.5%
Expected earnings growth	13.8%	17.1%

* Market Cap information is in US\$

Strategy

- It goes without saying that stock markets around the world are currently in turmoil. The foundations of financial systems in the US, Europe, and Asia are shaking. **The conditions for reducing our defensive bias are not present yet.** Given the current capitulation in markets our Sentiment vector is now positive (we are contrarian). Our Macro-economic vector remains very negative and we would need to see a stabilization in the US housing market, better credit conditions, and a recovery in the employment statistics before changing that assessment. Regarding Valuation, our internal model points to markets being undervalued. However, earnings expectations are still too optimistic. This vector is thus slightly negative but that could change rapidly should markets continue falling.
- In the next six to twelve months, **we anticipate maintaining a neutral position in Financials versus the benchmark.** Although this crisis is far from over, investors are close to a capitulation in Financials. While the credit crisis is pounding the financial economy, its effects on the real economy are just beginning to be felt. **There may be additional challenging situations ahead, namely in Energy and Materials, where we continue to remain significantly underweight.**
- Within the Energy sector, we favor refiners.** In our opinion, the price of oil is heading significantly lower which should improve refiners' profit margins. These stocks are trading close to their book value and, given last year's poor performance, Sentiment is quite depressed regarding the industry. We favor Tesoro, Sunoco, and Valero.

US 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
Pacific Rim
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 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**

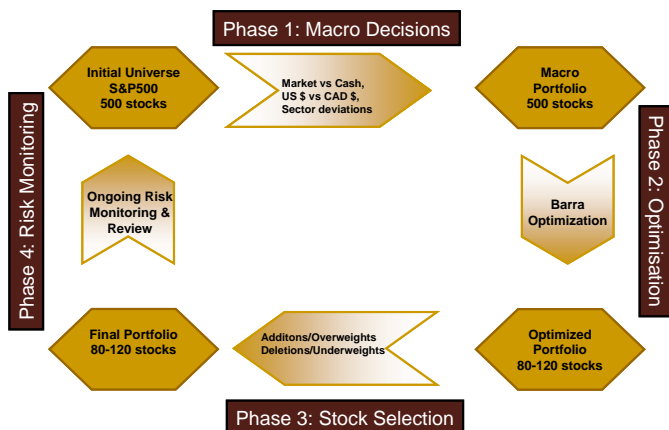
Summary

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%
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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 \$10 M:	0.60%
\$10 M to \$40 M:	0.50%
> \$40 M:	0.40%

As of December 31, 2007, custodial fees were 0.05%.