



# Emerging Markets Equity

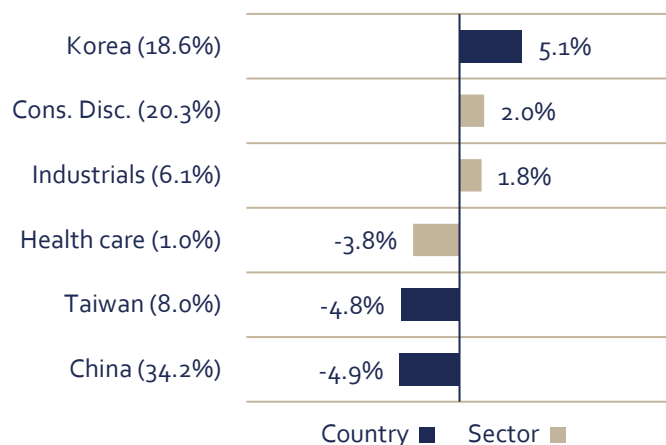
## PERFORMANCE (CAD)

Annualized (%)	3 months	YTD	1 year	3 years	5 years	10 years	Since inception
Hexavest Emerging Markets Composite	14.75	19.29	19.29	7.71	10.06	---	5.88
MSCI Emerging Markets (net)	14.16	16.23	16.23	6.77	10.87	---	6.52
VALUE ADDED	0.59	3.06	3.06	0.94	-0.81	---	-0.64

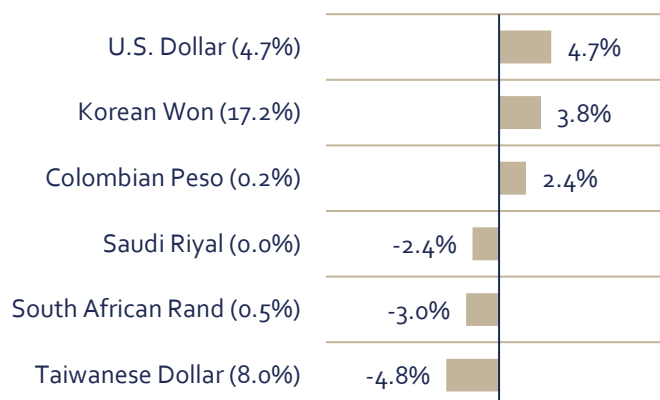
Ten last years (%)	2011*	2012	2013	2014	2015	2016	2017	2018	2019	2020
Hexavest Emerging Markets Composite	-11.78	11.38	4.91	3.94	1.87	3.71	24.61	-2.89	7.86	19.29
MSCI Emerging Markets (net)	-14.64	15.61	3.93	6.63	2.04	7.34	28.26	-6.88	12.45	16.23
VALUE ADDED	2.86	-4.23	0.98	-2.69	-0.17	-3.63	-3.65	3.99	-4.59	3.06

## MAIN DEVIATIONS (VS MSCI EMERGING MARKETS)

### COUNTRIES AND SECTORS



### CURRENCIES



## MARKET OUTLOOK

### MACROECONOMIC ENVIRONMENT

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### VALUATION

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### SENTIMENT

N

EM should continue to benefit for some time from both significant stimuli in countries like China, Korea and Brazil as well as the support that developed countries are providing to their own households. At this stage, we believe that the recovery appears well entrenched in Taiwan, China and Korea, and that China's credit impulse has just passed its peak although authorities are still focused on supporting domestic demand. In the coming quarters, we expect the recovery to spread to other EM, especially those impacted by the collapse of tourism and investment, and those that are good candidates for a catch up and a normalisation of their economies. Of course, we are carefully monitoring the differences in the timing of vaccination. Overall, we expect economic growth to continue to rebound over the next 12-18-months and have therefore improved our macroeconomic vector from a single positive to a double positive (++).

EM equities have become expensive; ending the year at the 95<sup>th</sup> percentile of their historical valuation distribution, the highest since the onset of the Global financial crisis. Markets are clearly anticipating a strong recovery in profitability from 2020's depressed levels. Still, valuation should continue to be supported by the accommodative stance of fiscal and monetary authorities around the world, so our valuation vector remains unchanged at double negative (--).

Encouraging news sparked a great dose of optimism in markets in the fourth quarter of 2020 and signs of complacency and pockets of speculation have appeared lately. However, institutional investors are increasingly looking to raise their allocation to EM. Considering these factors, we downgraded our assessment of the sentiment vector from a single positive to a neutral stance (N).



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## SUMMARY

<b>Benchmark</b>	MSCI Emerging Markets (net)
<b>Exclusions</b>	Tobacco, coal production and controversial weapons
<b>Value added objective</b>	2% (4-year rolling periods)
<b>Active risk</b>	3% to 5%
<b>Number of holdings</b>	130 to 170
<b>Currency management</b>	Active

## DEVIATIONS VS. BENCHMARK

Regions:	+/- 15%
Countries:	+/- 15%
Currencies:	+/- 15%
Sectors:	+/- 10%

## MANAGEMENT FEES

Commingled vehicle	Separate accounts
First \$10 million: 0.70%	First \$50 million: 0.75%
Next \$30 million: 0.60%	Next \$50 million: 0.60%
> \$40 million: 0.50%	Next \$100 million: 0.50%
	> \$200 million: 0.40%

## INVESTMENT TEAM

**Jean-Christophe Lermusiaux, MBA**  
VP & Portfolio Manager  
Experience: 23 years  
Team member since 2017

**Jean-Benoit Leblanc, M.Sc., CFA**  
Senior Portfolio Manager  
Experience: 22 years  
Team member since 2009

**Julien Tousignant, M.Sc., CFA**  
Economist  
Experience: 8 years  
Team member since 2013

## ESG RESEARCH

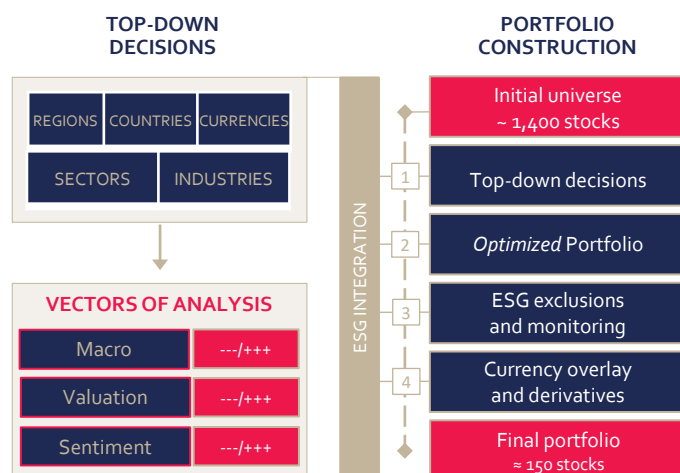
**Jo-Annie Pinto, CIM®**  
Vice President  
Experience: 23 years  
Team member since 2012

**Véronique Marchetti, CFA**  
Senior Analyst  
Experience: 16 years  
Team member since 2010

## INVESTMENT APPROACH

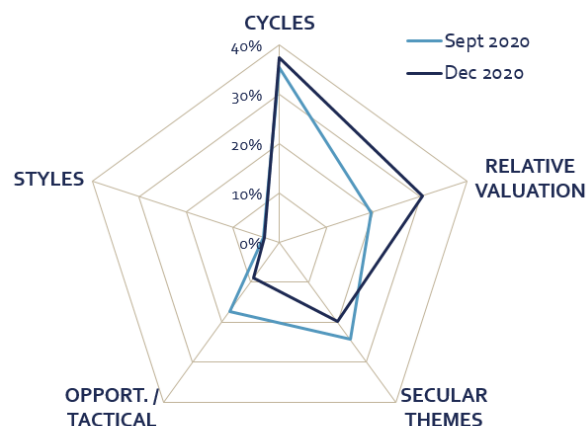
- Capture long term investment opportunities as well as benefit from short term dislocations
- Top-down approach
- Diversified sources of alpha: regions, countries, currencies, sectors, industries, and stocks
- Proprietary ESG process, tailored to emerging markets

## INVESTMENT PROCESS



## INVESTMENT THEMES

Diversified investment themes  
As a % of total portfolio



Source: Hexavest

## CONTACT US

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