



# Emerging Markets Equity

## Performance (CAD)

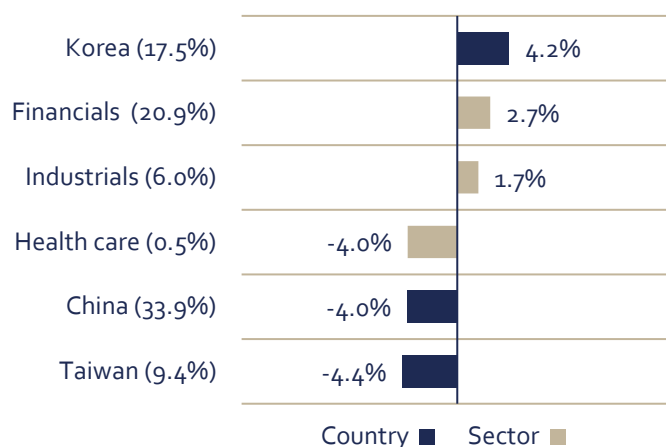
Annualized (%)	3 months	YTD	1 year	3 years	5 years	10 years	Since inception
Hexavest Emerging Markets Composite	1.93	1.93	42.79	7.01	10.77	5.96	5.93
MSCI Emerging Markets (net)	0.91	0.91	39.86	5.58	11.43	6.34	6.45
VALUE ADDED	1.02	1.02	2.93	1.43	-0.66	-0.38	-0.52

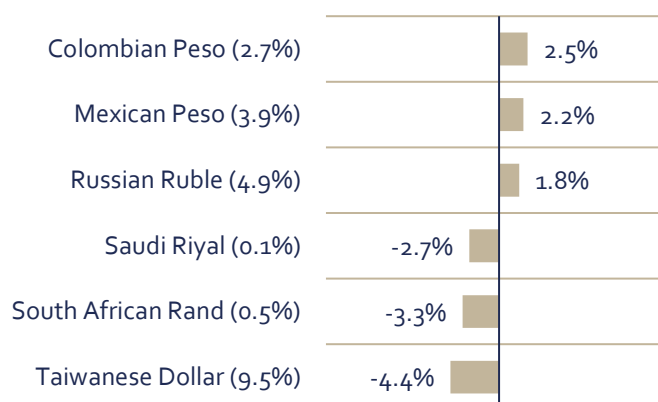
Ten last years (%)	2011*	2012	2013	2014	2015	2016	2017	2018	2019	2020
Hexavest Emerging Markets Composite	-11.78	11.38	4.91	3.94	1.87	3.71	24.61	-2.89	7.86	19.29
MSCI Emerging Markets (net)	-14.64	15.61	3.93	6.63	2.04	7.34	28.26	-6.88	12.45	16.23
VALUE ADDED	2.86	-4.23	0.98	-2.69	-0.17	-3.63	-3.65	3.99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

## Positioning (vs MSCI Emerging Markets)

### COUNTRIES AND SECTORS



### CURRENCIES



## Market Outlook

### MACROECONOMIC ENVIRONMENT

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### VALUATION

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### SENTIMENT

N

The massive COVID-related stimuli put in place in 2020 should continue to bear fruits for some time: EMs are benefitting from both significant stimuli in countries like China, Korea, and India, as well as the support that developed countries are providing to their own households. In the coming quarters, we expect the recovery to spread to other emerging markets. However, the recent resurgence of virus cases and the slower vaccine rollout in emerging markets might delay the expected economic normalization. Though we expect economic growth to continue to rebound over the next 12-18-months, we have left our macroeconomic vector at double positive (++).

Even in a context of low interest rates, EM equities are still expensive; they ended the quarter at the 96<sup>th</sup> percentile of their historical valuation distribution, the highest observation since the onset of the Global financial crisis. Markets are clearly anticipating a strong recovery in profitability from 2020's depressed levels. However, we feel that there is not much room for error if those estimates are to be realized. Consequently, our valuation vector stands at double negative (--).

Alike global equities, the MSCI Emerging Markets achieved new highs, returning another 4% in the first quarter of 2021. Signs of complacency and pockets of speculation have appeared lately. While equity inflows have continued during the first quarter of 2021, institutional investors remain under-exposed to the region, leaving room for further appreciation. Considering all these factors, we maintained our assessment of the sentiment vector to a neutral stance (N).

# Emerging Markets Equity

## 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

<b>Commingled vehicle</b>	<b>Separate accounts</b>		
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-Benoit Leblanc, M.Sc., CFA**  
Senior Portfolio Manager  
Experience: 22 years  
Team member since 2009

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

**Jean-Pierre Couture, M.Sc.**  
Chief Economist and Portfolio Manager  
Experience: 26 years  
Team member since 2010

### ESG Research

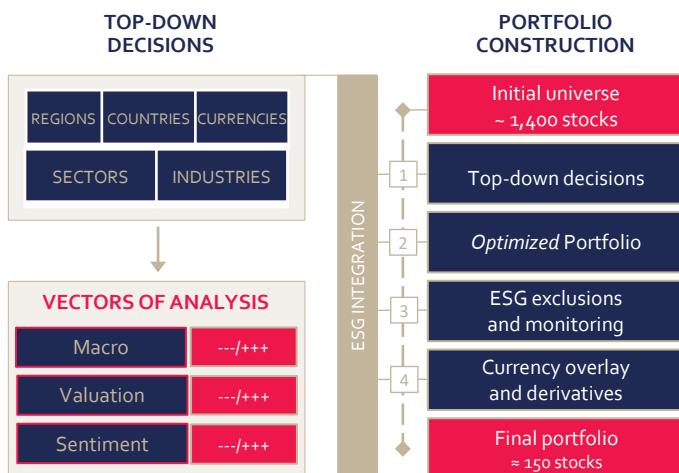
**Jo-Annie Pinto, CIM®**  
Vice President  
Experience: 23 years  
Team member since 2012

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

## Investment Approach

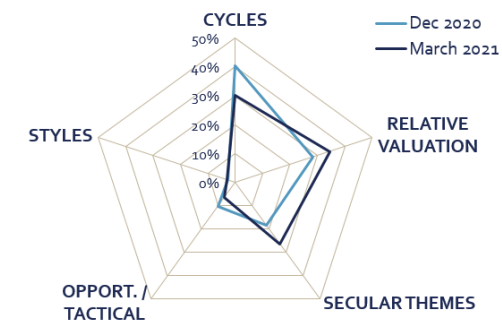
- Capture long term investment opportunities as well as benefit from short term dislocations
- Top-down approach
- Diversified sources of alpha: regions, countries, currencies, sectors, industries, and stocks
- Proprietary ESG process, tailored to emerging markets

## Investment Process



## Investment Themes

As a % of total portfolio



Source: Hexavest as of March 31, 2021

## Contact Us

MARC CHRISTOPHER LAVOIE, President and Portfolio Manager  
[mclavoie@hexavest.com](mailto:mclavoie@hexavest.com)  
514-390-1144

FIRASS KANSOU, Vice President  
[fkansou@hexavest.com](mailto:fkansou@hexavest.com)  
514-390-3677

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