



Emerging Markets Equity

Performance (CAD)

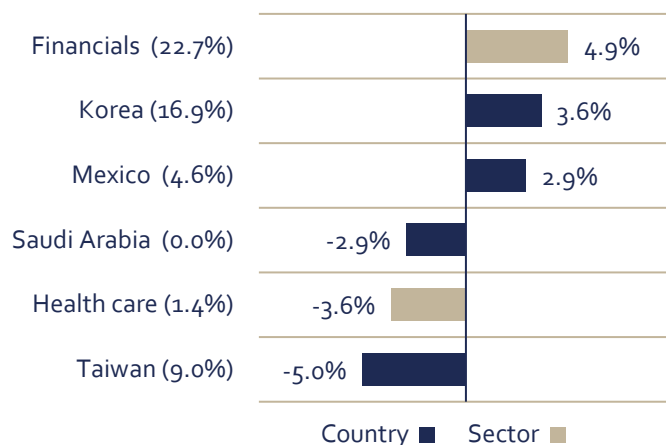
Annualized (%)	3 months	YTD	1 year	3 years	5 years	10 years	Since inception
Hexavest Emerging Markets Composite	1.83	3.80	31.23	9.21	10.83	6.32	5.97
MSCI Emerging Markets (net)	3.50	4.44	28.11	9.05	11.96	6.92	6.64
VALUE ADDED	-1.67	-0.64	3.12	0.16	-1.13	-0.60	-0.67

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

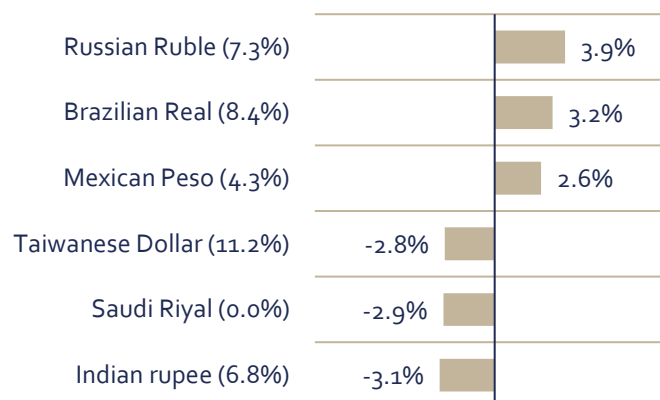
*Since inception on February 1, 2011.

Positioning (vs MSCI Emerging Markets)

COUNTRIES AND SECTORS



CURRENCIES



Country ■ Sector ■

Market Outlook

MACROECONOMIC ENVIRONMENT

+

VALUATION

--

SENTIMENT

+

Most of the gains in export market share by North Asian countries are behind us. This is also the case for the majority of fiscal and monetary stimuli. The next engines of growth will come from reopening developed economies and the return of domestic demand in emerging countries that have managed to contain the pandemic. The key remains mass vaccination. In general, it accelerated in the 2nd quarter, but Southeast Asian countries and South Africa are lagging. Since we expect the economic recovery to continue with marginal gains, our macroeconomic vector has shifted from double positive to single positive (+).

According to our valuation model, emerging markets (EM) have been trading in the highest decile of their history since December 2020. EM high valuation is not limited to a few expensive stocks; median valuation ratios are also at record levels. Comparing with other regions, EM valuation is very attractive relative to the U.S. stock market, similar to that of European equities and unattractive versus Asia-Pacific markets. Global bond yields remain very low, providing some support for valuation. However, the inevitable rise in rates could complicate things. We therefore maintained our valuation vector at a double negative (--).

Sentiment towards EM has remained moderately optimistic since the beginning of the year according to our sentiment heat map. In China, however, sentiment has deteriorated. Several heavyweights in the index were hit by announcements from Chinese and U.S. regulatory authorities, moderating the appetite for these stocks. The enthusiasm for the economic recovery propelled the energy and materials sectors, but this strength was not seen in currencies linked to commodity prices. The low level of EM equity holdings by institutional investors remains a positive factor in the long term. Our assessment of the sentiment vector has changed from neutral to simple positive (+).

Emerging Markets Equity

Summary

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

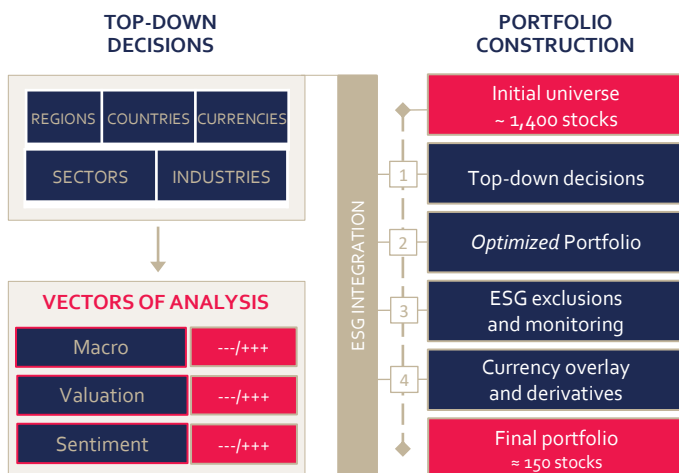
Jo-Annie Pinto, CIM®
Vice President
Experience: 23 years
Team member since 2012

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

Investment Approach

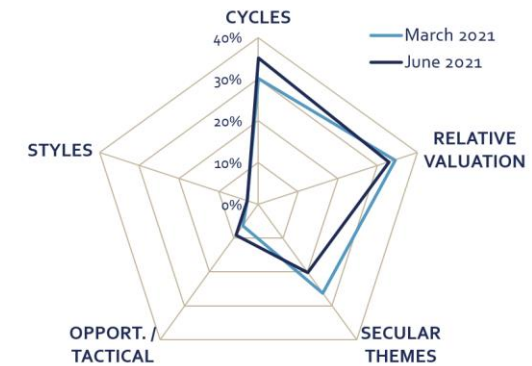
- Capture long term investment opportunities as well as benefit from short term dislocations
- Top-down approach
- Diversified sources of alpha: regions, countries, currencies, sectors, industries, and stocks
- Proprietary ESG process, tailored to emerging markets

Investment Process



Investment Themes

As a % of total portfolio



Source: Hexavest as at June 30, 2021

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The performance shown is that of a composite of emerging markets equity mandates managed by Hexavest. Accounts in the composite may have investment guidelines that differ from those of the model portfolio. The inception date of the composite is February 1, 2011. Performance results are presented gross of management and custodial fees but net of all trading commissions. Returns for periods greater than 12 months are annualized. Past performance is not necessarily indicative of future performance.

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