



HEXAVEST

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FACT SHEET / SEPTEMBER 30, 2021

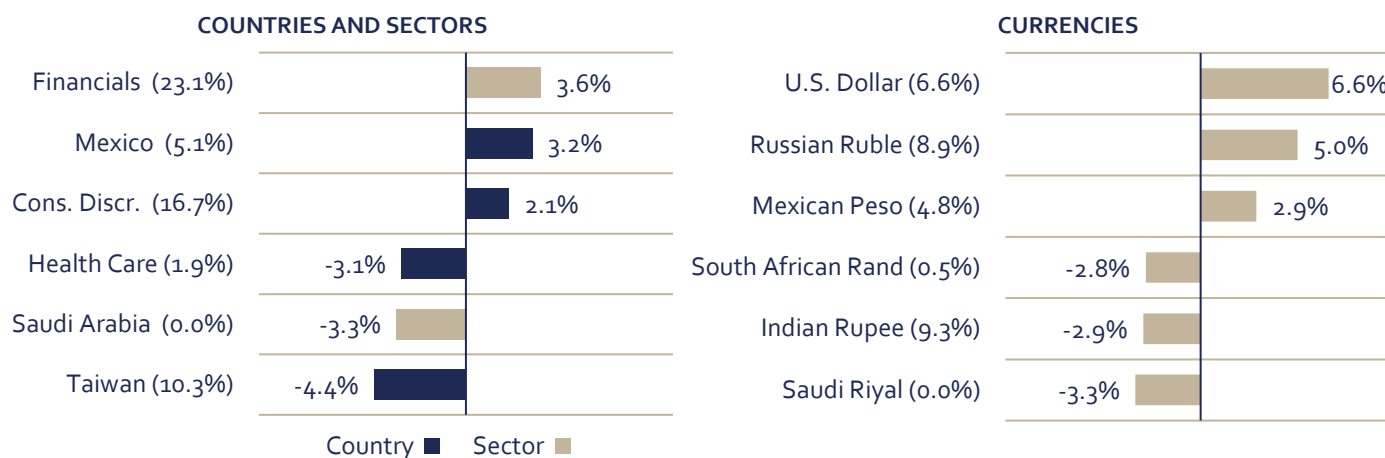
Emerging Markets Equity

Performance (CAD)							
Annualized (%)	3 months	YTD	1 year	3 years	5 years	10 years	Since inception
Hexavest Emerging Markets Composite	-6.59	-3.04	11.26	7.35	8.03	7.17	5.15
MSCI Emerging Markets (net)	-5.97	-1.80	12.11	7.86	8.43	8.18	5.86
VALUE ADDED	-0.62	-1.24	-0.85	-0.51	-0.40	-1.01	-0.71

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)



Market Outlook

MACROECONOMIC ENVIRONMENT

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VALUATION

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SENTIMENT

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The vaccination efforts are going well and consumer confidence is recovering. However, the post-pandemic rebound is about to slow down. Furthermore, the easy economic gains are behind us, and fiscal and monetary stimulus is fading globally. Supply-chain bottlenecks and food prices are at a 10-year high and causing inflationary pressures. Household purchasing power has declined. For now, the setbacks in the Chinese real estate market are not expected to turn into a financial crisis but will be a drag on growth. In our view, the Chinese authorities will increase their support for the economy to cope with the slowdown. Therefore, we expect the economic recovery to continue, but at a modest pace.

According to our standardized valuation model, emerging markets (EM) are trading in the 80th percentile of their historical distribution, down 16 percentiles during the quarter. The valuation of EM has greatly improved vis-à-vis other regions: it is very attractive versus the U.S. and European stock markets and similar to that of Asia-Pacific equities. Despite this, median valuation ratios are still high, as are long-term P/E ratios. That being said, earnings expectations seem reasonable to us. Global bond yields remain low, providing valuation support. If the September increase in yields continues, the situation could become complicated.

Sentiment toward EM moderated during the quarter and is now in the neutral zone according to our thermal map. The region has underperformed the developed markets by nearly 20% since the end of January 2021, mainly because of the poor stock market performance in China, where regulatory announcements in a number of sectors and Evergrande's setbacks have shaken investor confidence. China has underperformed EM by more than 20% over the past year. Institutional investors' limited EM holdings is a positive long-term factor. We are waiting for signs of a turnaround in this respect before raising the sentiment vector.



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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	Jean-Pierre Couture, M.Sc. Economist Experience: 26 years Team member since 2010
Julien Tousignant, M.Sc., CFA Portfolio Manager Experience: 8 years Team member since 2013	

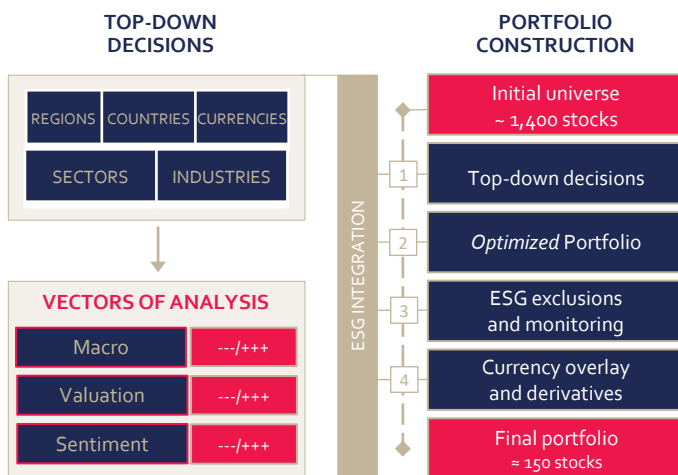
ESG Research

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

Investment Approach

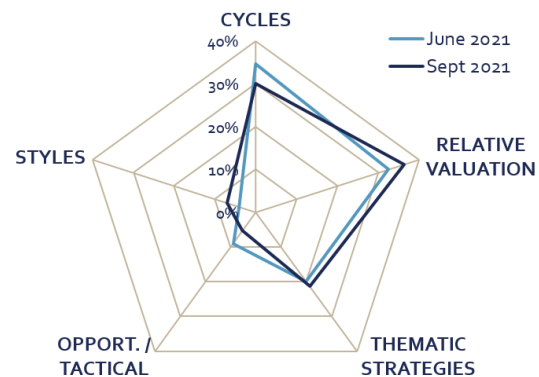
- Capture long term investment opportunities as well as benefit from short term dislocations
- Top-down approach
- Diversified sources of alpha: regions, countries, currencies, sectors, industries, and stocks
- Proprietary ESG process, tailored to emerging markets

Investment Process



Investment Themes

As a % of total portfolio



Source: Hexavest, Sept. 30, 2021

Contact Us

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Sources: MSCI, Hexavest, as of Sept. 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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