

International Equities

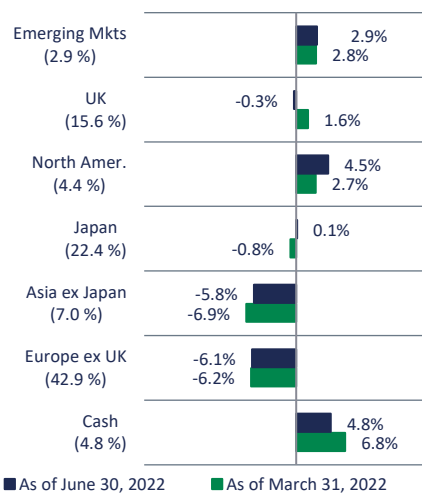
Performance (CAD)

Annualized (%)	3 months	YTD	1 year	3 years	5 years	10 years	Since inception
Hexavest EAFE Composite	-9.45	-13.96	-10.95	-2.95	-0.78	6.16	6.63
MSCI EAFE (net)	-11.71	-17.86	-14.34	0.64	2.06	7.91	5.25
VALUE ADDED	2.26	3.90	3.39	-3.59	-2.84	-1.75	1.38

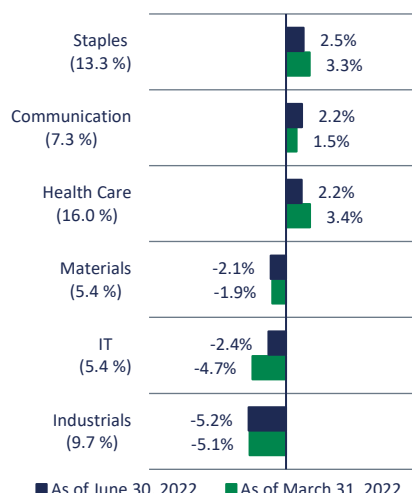
Ten last years (%)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Hexavest EAFE Composite	11.99	29.69	4.97	19.02	0.73	10.26	-2.51	11.47	-5.41	6.38
MSCI EAFE (net)	14.72	31.02	3.67	18.95	-2.49	16.82	-6.03	15.85	5.92	10.32
VALUE ADDED	-2.73	-1.33	1.30	0.07	3.22	-6.56	3.52	-4.38	-11.33	-3.94

Positioning (vs MSCI EAFE)

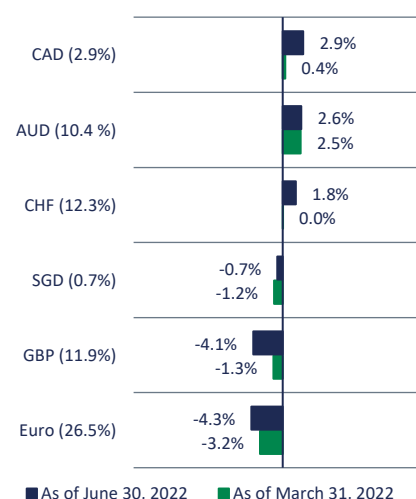
COUNTRY DEVIATIONS



SECTOR DEVIATIONS



CURRENCY DEVIATIONS



Market Outlook

MACROECONOMIC ENVIRONMENT	VALUATION	SENTIMENT
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The risks of an economic recession increased sharply. Declining demand will amplify the earnings recession that we were already anticipating in the first quarter of the year as a result of spiraling business production costs. This scenario contrasts with that of analysts who are still expecting strong earnings growth in 2022 and 2023. If the recession is short and shallow, it may not be enough to contain inflation and to moderate wage growth, especially in a context of labour scarcity. The scenario of a minor recession where inflation is again under control seems optimistic to us. Given the significant contrast between our expectations and those of the consensus on earnings growth and economic activity, we have revised our macroeconomic vector downward, from double negative to triple negative (---).

Our assessment vector improved remains well above that of previous recessions but also well above the average but also well above the average of the past 10 years and the long-term average. The stock market is slow to adjust not only to the recession scenario but also to the rise in risk-free interest rates. Even so, the general improvement in valuation. Even so, the general improvement in valuation has prompted us to raise our valuation vector from triple negative to double negative (--).

Even though retail investors have gone from buying on weakness to selling on strength, institutional investors are purchasing protection and seeking safe havens, their equity exposure is still high relative to the historical norm – a sign that they still haven’t thrown in the towel. That being said, amid growing pessimism, the sustained decline in our investor sentiment index continued in the second quarter. Its level now shows that investor sentiment is depressed. We will need to see a shift in sentiment, namely an improvement from a low level, to become much more optimistic about this vector. But as our sentiment indicators generally reflect growing concern, we have raised our rating for this vector by two notches, from simple negative to simple positive (+).

Our analysis of the three vectors has prompted us to maintain a defensive positioning. We are concerned about relatively high equity valuations in the context of a generally deteriorating macroeconomic environment.

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Summary

Benchmark	MSCI EAFE (net)
Value added objective	2% (4-year rolling periods)
Active risk	3% to 5%
Number of holdings	200 to 250 (higher if exposure to EM)
Currency management	Active
Maximum cash exposure	10%

DEVIATIONS VS. BENCHMARK

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

MANAGEMENT FEES

Commingled vehicle		Separate accounts	
First \$10 million:	0.60%	First \$20 million:	0.70%
Next \$30 million:	0.50%	Next \$30 million:	0.60%
> \$40 million:	0.40%	Next \$50 million:	0.50%
		Next \$100 million:	0.40%
Administrative fees:	0.16%	> \$200 million:	0.30%
(2021)			

Investment Team

Marc C. Lavoie, CPA, CA, CFA
Manager, Core strategy
Experience: 22 years
Team member since 2003

Jean-Pierre Couture, M.Sc.
Economist
Experience: 27 years
Team member since 2010

Christian Crête, CFA
Senior Portfolio Manager
Experience: 23 years
Team member since 2012

ESG Research

Véronique Marchetti, CFA
Analyst
Experience: 17 years
Team member since 2010

Investment Approach

- Top-down and contrarian approach
- Diversified sources of alpha: regions, countries, currencies, sectors, industries, stocks
- Strong focus on downside protection
- Systematic integration of ESG factors
- Experienced and nimble investment team
- Clearly defined process, applied for nearly 30 years

Contact Us

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Sources: MSCI, DGAM, as of June 30, 2022

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The performance shown is that of a composite of international equity mandates managed by Mr. Vital Proulx and his team at St. Lawrence Financial Consultants (1991 to 1996), Kogeva (1997 to 1998), Natcan (1998 to 2004), Hexavest (from May 2004 to August 2021) and DGAM (since September 2021). Accounts in the composite may have investment guidelines that differ from those of the representative account. The inception date of the composite is May 1, 1991. 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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Investment Process

