

Emerging Markets Equity

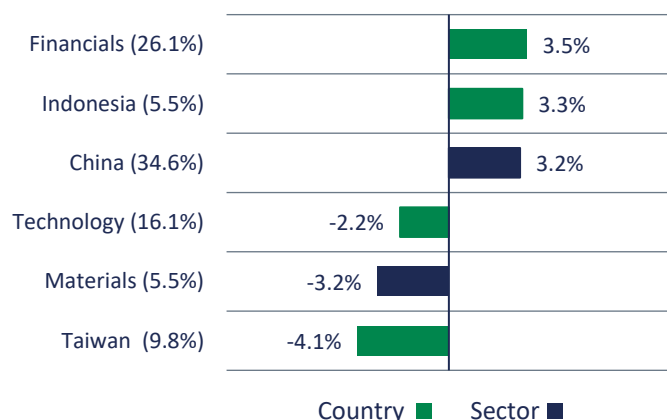
Performance (CAD)

Annualized (%)	3 months	YTD	1 year	3 years	5 years	10 years	Since inception
Hexavest Emerging Markets Composite	-6.23	-19.84	-21.55	-0.22	0.44	3.67	2.54
MSCI Emerging Markets (net)	-5.81	-20.76	-22.03	-0.85	0.06	4.48	3.12
VALUE ADDED	-0.42	0.92	0.48	0.63	0.38	-0.81	-0.58

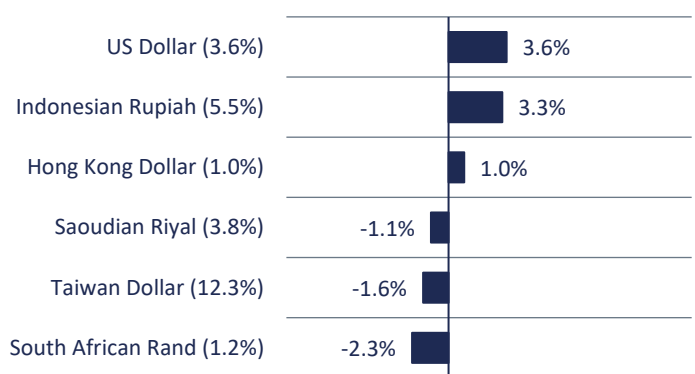
Ten last years (%)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Hexavest Emerging Markets Composite	11.38	4.91	3.94	1.87	3.71	24.61	-2.89	7.86	19.29	-5.11
MSCI Emerging Markets (net)	15.61	3.93	6.63	2.04	7.34	28.26	-6.88	12.45	16.23	-3.37
VALUE ADDED	-4.23	0.98	-2.69	-0.17	-3.63	-3.65	3.99	-4.59	3.06	-1.74

Positioning (vs MSCI Emerging Markets)

COUNTRIES AND SECTORS



CURRENCIES



Market Outlook

MACROECONOMIC ENVIRONMENT	VALUATION	SENTIMENT
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The list of obstacles encountered by the global economy this year is long. Countries with a more domestic economy are expected to fare better than exporting countries. Central banks in emerging countries are in a difficult position: weak currencies and persistent inflation are preventing them from supporting the economy. Finally, real estate problems persisted in China. Although still hypothetical, a drop in zero-COVID measures in China has the potential to boost the domestic economy in 2023.

The difficult economic environment on the horizon is increasingly being reflected in emerging market equity valuations. According to our standard valuation model, these are trading at the 15th percentile of their historical distribution, a drop of 59 ranks since the beginning of 2022. That said, shares in India and the Gulf states remain very expensive compared to their historical value. In addition, the valuation premium for defensive sectors is starting to be very high and appears to already expect the economic slowdown. Investment opportunities may arise in low-cost cyclical sectors.

Emerging market equities ended the third quarter poorly. In September, they had their second worst monthly performance since the 2008–2009 crisis. Overall investor sentiment remains very depressed. This increases the potential for positive surprises. Investors' portfolios have a rather limited weight in equities, foreign exchange and emerging-market bonds. Such difficult market conditions can create investment opportunities. We expect some reversal of momentum before we can be more positive about the sentiment vector.

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Summary

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

DEVIATIONS VS. BENCHMARK

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

Investment Team

Jean-Benoit Leblanc, M.Sc., CFA
Senior Portfolio Manager
Experience: 23 years
Team member since 2009

Julien Tousignant, M.Sc., CFA
Portfolio Manager
Experience: 9 years
Team member since 2013

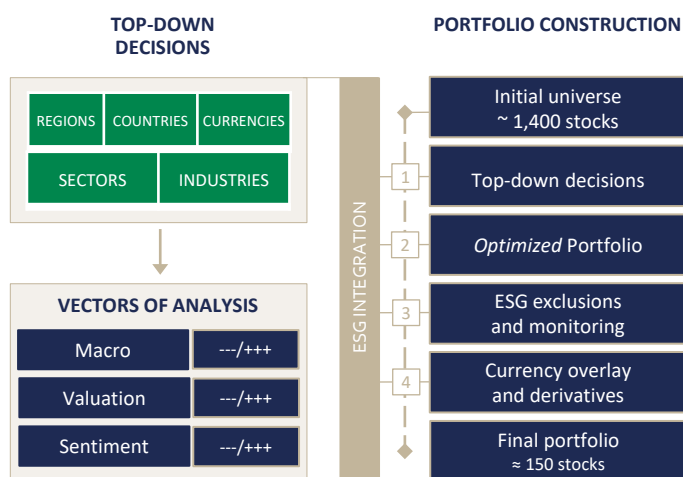
Jean-Pierre Couture, M.Sc.
Economist and Senior Portfolio Manager
Experience: 27 years
Team member since 2010

Hao Feng, MBA, CFA
Portfolio Manager
Expérience: 11 years
Team member since 2021

Investment Approach

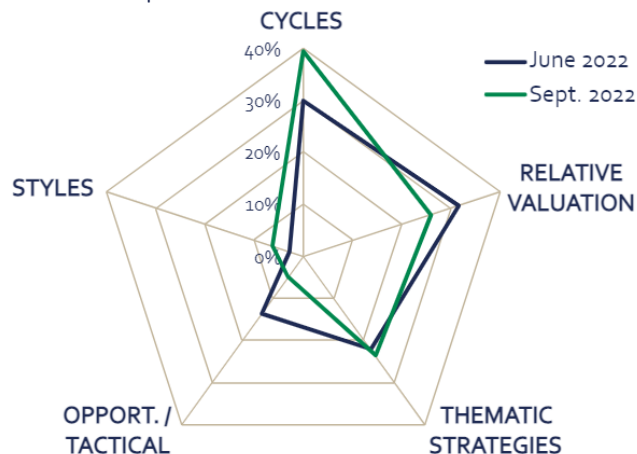
- Capture long term investment opportunities as well as benefit from short term dislocations
- Top-down approach
- Diversified sources of alpha: regions, countries, currencies, sectors, industries, and stocks
- Proprietary ESG process, tailored to emerging markets

Investment Process



Investment Themes

As a % of total portfolio



Responsible Investment

Christian Felx
Manager and Head of Responsible investment

Solène Hanquier
Head of ESG Strategies

+ We have a team of 8 specialists dedicated exclusively to responsible investment.

- Combine investments and RI expertise to offer high-performance strategies
- Development of a simple RI process that can be easily integrated into any mandate
- Ongoing exchanges between portfolio managers and the RI team increasing the efficiency of the investment process

Contact Us

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Sources: MSCI, DGAM, as of September 30, 2022.

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The performance shown is that of a composite of emerging markets equity mandates managed by DGAM. 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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