

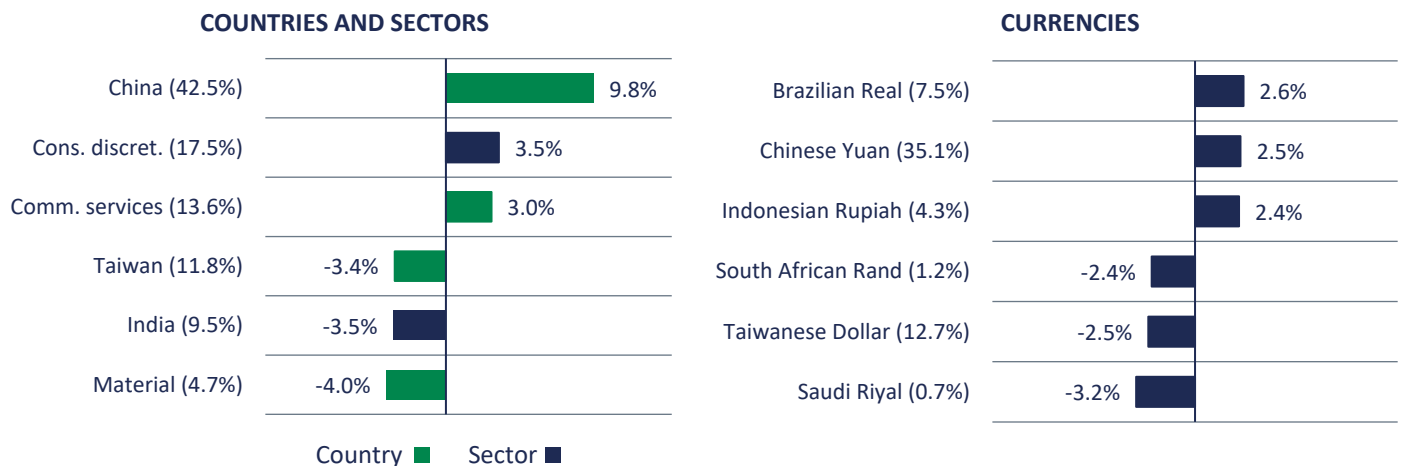
# Emerging Markets Equity

Performance (CAD)							
Annualized (%)	3 months	YTD	1 year	3 years	5 years	10 years	Since inception
Hexavest Emerging Markets Composite	4.31	4.31	-5.12	5.34	0.06	4.14	3.22
MSCI Emerging Markets (net)	3.83	3.83	-3.25	6.03	0.06	4.96	3.98
VALUE ADDED	0.48	0.48	-1.87	-0.69	0.00	-0.82	-0.76

Ten last years (%)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Hexavest Emerging Markets Composite	4.91	3.94	1.87	3.71	24.61	-2.89	7.86	19.29	-5.11	-15.69
MSCI Emerging Markets (net)	3.93	6.63	2.04	7.34	28.26	-6.88	12.45	16.23	-3.37	-14.28
VALUE ADDED	0.98	-2.69	-0.17	-3.63	-3.65	3.99	-4.59	3.06	-1.74	-1.41

## Positioning (vs MSCI Emerging Markets)



## Market Outlook

MACROECONOMIC ENVIRONMENT	VALUATION	SENTIMENT
N	+	++

Even though emerging markets should fare better than developed countries, they are not immune to the global slowdown. With the exception of China, emerging market central banks still have to wait before they can ease monetary conditions. Disinflation is taking longer to materialize. The tone of the Chinese authorities remains pro-growth. With China standing out from the rest of the world, emerging Asia could contribute more than two-thirds of global real growth in 2023, according to OECD data.

The emerging market equity valuation remains attractive. According to our standardized valuation model, these stocks are trading in the 33rd percentile of their historical distribution, up six notches in the first quarter of 2023. This valuation seems entirely consistent with the looming global economic challenges.

In comparison, developed markets are much more expensive, trading in the 81st percentile of their historical distribution. The premium for the defensive sectors has compressed but is still high in relation to its historical average.

Emerging market equities advanced almost 4% in the first quarter but underperformed the world's three other major regions. Even so, emerging market equities were relatively less volatile in March, a month marked by significant banking stress in the United States and Europe. The low ownership of emerging market equities by institutional investors certainly helped them perform well during this episode. Our emerging market sentiment index rose in the first quarter of 2023. Even though the index is still in pessimistic territory, a trend reversal seems to have begun.

# 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>	2% to 4%
<b>Number of holdings</b>	130 to 170
<b>Currency management</b>	Active

### DEVIATIONS VS. BENCHMARK

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

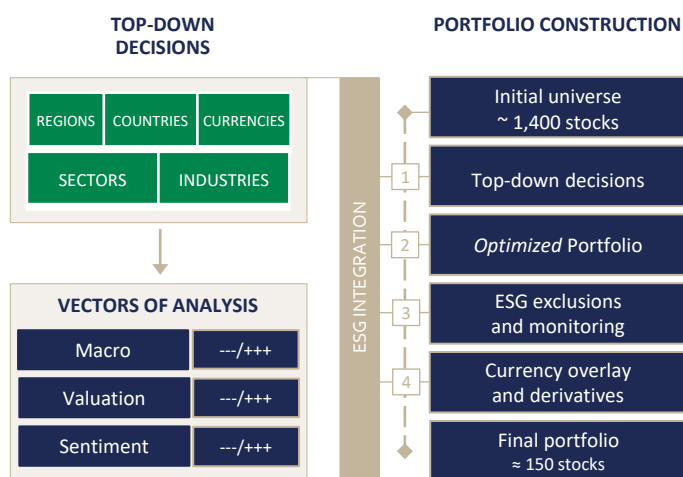
## Investment Team

<b>Jean-Benoit Leblanc, M.Sc., CFA</b> Senior Portfolio Manager Experience: 23 years Team member since 2009	<b>Jean-Pierre Couture, M.Sc.</b> Economist and Senior Portfolio Manager Experience: 27 years Team member since 2010
<b>Julien Tousignant, M.Sc., CFA</b> Portfolio Manager Experience: 9 years Team member since 2013	<b>Hao Feng, MBA, CFA</b> Portfolio Manager Experience: 11 years Team member since 2021

## Investment Approach

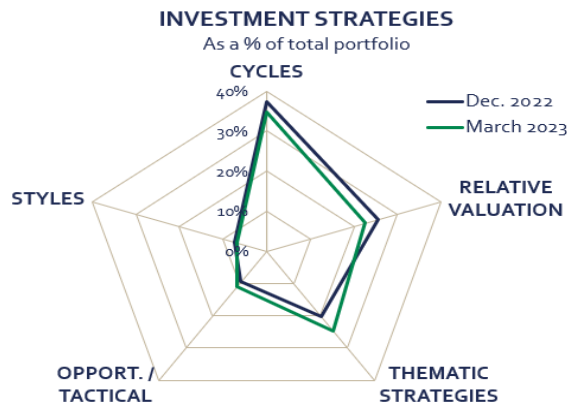
- Capture long term investment opportunities as well as benefit from short term dislocations
- Top-down approach
- Diversified sources of alpha: regions, countries, currencies, sectors, industries, and stocks
- Proprietary ESG process, tailored to emerging markets

## Investment Process



## Investment Themes

As a % of total portfolio



## Responsible Investment

**Christian Felx**  
Manager and Head of Responsible investment

- + 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

[clientexperience.dgia@desjardins.com](mailto:clientexperience.dgia@desjardins.com)

Sources: MSCI, DGAM, as of March 31, 2023

FOR CANADIAN INSTITUTIONAL INVESTOR USE ONLY

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.

The information and opinions herein are provided for informational purposes only and are subject to change based on market and other conditions. It should not be relied upon as the basis for your investment decisions. This document is not and should not be construed as a solicitation or offering of units of any fund or other security in any jurisdiction. No part of this document may be reproduced in any manner without the prior written permission of DGAM.