

# Emerging Markets Equity

## Performance (CAD)

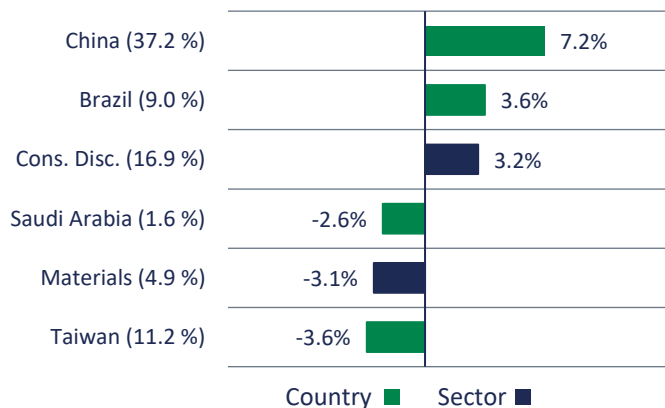
Annualized (%)	3 months	YTD	1 year	3 years	5 years	10 years	Since inception
Hexavest Emerging Markets Composite	-2.04	-0.32	4.85	-2.91	0.35	3.74	2.72
MSCI Emerging Markets (net)	-0.82	1.60	9.91	-1.33	1.46	4.91	3.64
VALUE ADDED	-1.22	-1.92	-5.06	-1.58	-1.11	-1.17	-0.92

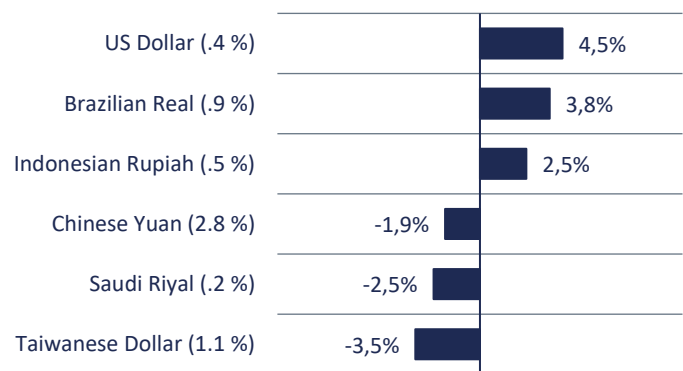
Ten last years (%)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Hexavest Emerging Markets Composite	4.91	3.94	1.87	3.71	24.61	-2.89	7.86	19.29	-5.11	-15.69
MSCI Emerging Markets (net)	3.93	6.63	2.04	7.34	28.26	-6.88	12.45	16.23	-3.37	-14.28
VALUE ADDED	0.98	-2.69	-0.17	-3.63	-3.65	3.99	-4.59	3.06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

## Positioning (vs MSCI Emerging Markets)

### COUNTRIES AND SECTORS



### CURRENCIES



## Market Outlook

### MACROECONOMIC ENVIRONMENT

N

### VALUATION

+

### SENTIMENT

+

China's economic recovery disappointed in the second quarter of 2023. The government will most likely use further stimulus to ensure the objective of 5% growth is met. India, Mexico and Brazil have exceeded expectations so far this year. Their economies seem resilient to high interest rates. Finally, disinflation has materialized in emerging markets. Some central banks could start lowering their policy rates this summer.

The valuation of emerging market equities has deteriorated somewhat since March 31. However, stocks in other regions of the world saw a large increase in their valuations, the relative valuation of emerging market equities became more attractive during the quarter. Hence, emerging market equities have the lowest valuation in more than 7 years relative to Asia-Pacific equities. Their valuation is also still very attractive in relation to U.S. equities.

The value of emerging market equities rose nearly 1.7% in the second quarter of 2023, for a year-to-date gain of 5.6%. This return hides significant discrepancies in performance and sentiment. The South Korean and Taiwanese stock markets have been propelled upward by enthusiasm over artificial intelligence. We remain on the lookout for complacency risks in this segment. Meanwhile, China's stock market entered correction territory as a result of geopolitical tensions and economic disappointments. Our emerging market sentiment index deteriorated at the end of the quarter and remained in slightly pessimistic territory.

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## 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

**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

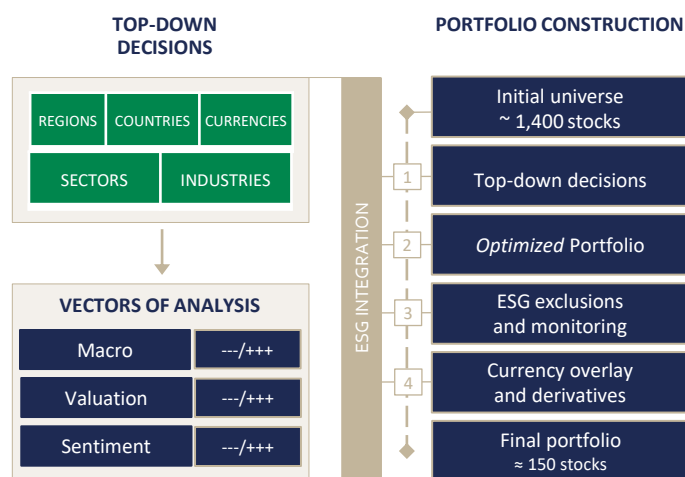
**Jean-Pierre Couture, M.Sc.**  
Economist and Senior Portfolio Manager  
Experience: 27 years  
Team member since 2010

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

## Investment Approach

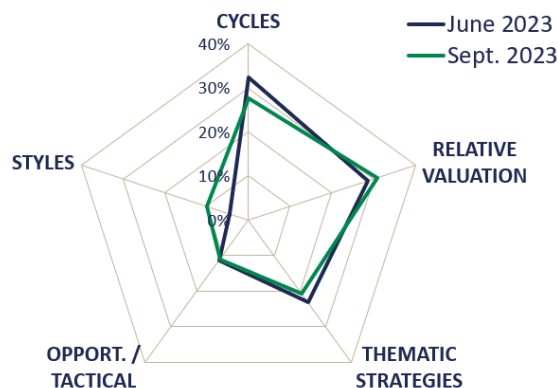
- Capture long term investment opportunities as well as benefit from short term dislocations
- Top-down approach
- Diversified sources of alpha: regions, countries, currencies, sectors, industries, and stocks
- Proprietary ESG process, tailored to emerging markets

## Investment Process



## Investment Themes

As a % of total portfolio



Source: DGAM, September 30, 2023

## Responsible Investment

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

- + We have a team of 10 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 September 30, 2023.

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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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