

# Global Equities

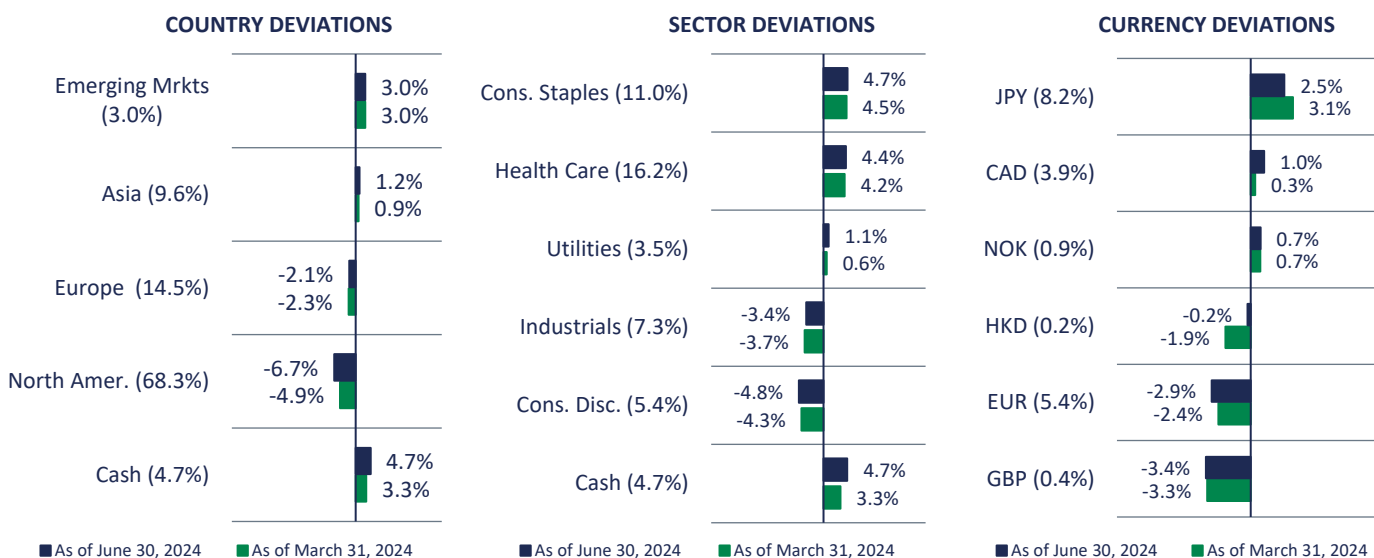
## Performance (CAD)

Annualized (%)	3 months	YTD	1 year	3 years	5 years	10 years	Since inception
Hexavest Global Composite	4.21	16.34	26.68	14.89	11.29	11.01	7.58
MSCI World (net)	3.78	15.96	24.29	10.47	12.81	11.93	5.88
VALUE ADDED	0.43	0.38	2.39	4.42	-1.52	-0.92	1.70

## Ten last years (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Hexavest Global Composite	15.06	20.20	8.81	7.72	1.16	14.51	-1.45	17.15	-3.52	22.62
MSCI World (net)	14.39	18.89	3.79	14.36	-0.49	21.22	13.87	20.78	-12.19	20.47
VALUE ADDED	0.67	1.31	5.02	-6.64	1.65	-6.71	-15.32	-3.63	8.67	2.15

## Positioning (vs MSCI World)



## Market Outlook

MACROECONOMIC ENVIRONMENT	VALUATION	SENTIMENT
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There is a stark contrast between the strong and sustained economic growth expected in the United States and the near-stagnation expected in the other developed countries. We think the U.S. scenario is too optimistic because the transmission of very restrictive monetary policy is taking its course and proven leading indicators are still signalling a high probability of recession, a scenario at odds with the consensus. In this context, the potential for disappointment is significant. Even so, expectations are already very modest in Europe, Asia-Pacific and Canada. The European Central Bank and the Bank of Canada, unlike the U.S. Federal Reserve, have already managed to rein in growth and have begun their easing cycles, a source of relief for households. In Asia, a number of countries are benefitting from favourable structural elements and more accommodative monetary policies than elsewhere. Owing to the risks weighing on the U.S. economy and growth that remains below potential elsewhere in the world, we are maintaining our double-negative rating for the macroeconomic environment.

Global equities were very expensive at the end of the second quarter, when the MSCI World's valuation reached the 92<sup>nd</sup> percentile of its historical distribution, mainly because of U.S. equities, especially mega caps exposed to the artificial intelligence theme. The valuation of the S&P 500 Index reached the 95<sup>th</sup> percentile during the quarter. With the exception of the 1999-2000 tech bubble and the distortion caused by the pandemic in 2020, this stock market has never been more expensive, even taking into account analysts' very generous earnings expectations. Elsewhere in the world, the picture is different, and equities are much cheaper. The MSCI World Index ex-U.S. was in the 61<sup>st</sup> percentile at the end of June, indicating that some market segments are cheap. Strictly on the basis of valuation, opportunities can be found mainly in Asia and Europe, especially in the defensive sectors. That being said, given the considerable weight of the United States in the global index, our valuation rating is still triple-negative.

The current stock market euphoria is reminiscent of past episodes that ended badly, namely the Nifty 50 of the 1960s and 1970s and the four horsemen of tech in the late 1990s. In those instances, investors expressed a very high degree of conviction for a limited number of stocks with strong fundamentals and a dominant position in their industries. In the current episode, the greater popularity of passive investing has amplified this phenomenon by inflating the weight of the stocks in vogue. The result is worrisome: never have equity investors, on average, been so undiversified, and this at a time when their exposure to this asset class is reaching heights rarely seen. That being said, two factors prevent us from judging the sentiment vector too harshly: investors are ignoring entire swathes of the investment universe, and risk appetite still shows no signs of running out of steam. We have therefore kept our sentiment vector at single-negative.

**Our analysis of the three vectors has prompted us to maintain a defensive bias. We are concerned about the deteriorating economic growth outlook and its impact on corporate earnings at a time when market valuations and investor positioning are disregarding the possibility of a slowdown.**

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## Summary

<b>Benchmark</b>	MSCI World (net)
<b>Value added objective</b>	2% (4-year rolling periods)
<b>Active risk</b>	3% to 5%
<b>Number of holdings</b>	275 to 350 (higher if exposure to EM)
<b>Currency management</b>	Active
<b>Maximum cash exposure</b>	10%

### DEVIATIONS VS. BENCHMARK

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

## Investment Approach

- Clearly defined process, applied for nearly 30 years
- 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

## Investment Team

**Marc C. Lavoie, CPA, CFA**  
Manager, Global Top-down Strategy  
Experience: 23 years  
Team member since 2003

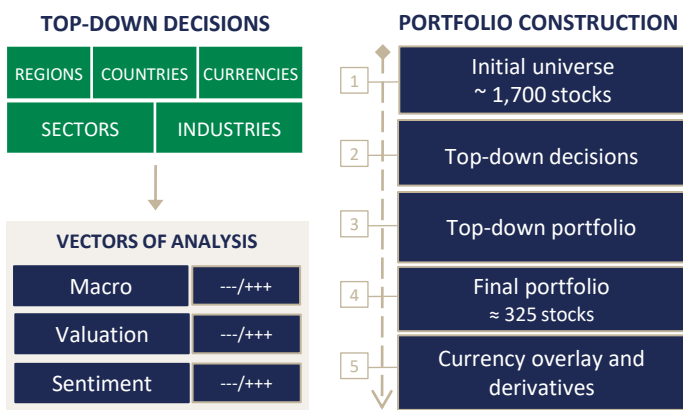
**Christian Crête, CFA**  
Senior Portfolio Manager  
Experience: 24 years  
Team member since 2012

**Frédéric-Bouchard Labonté, M.Sc., CFA**  
Senior Analyst  
Experience: 10 years  
Team member since 2024

**Jean-Pierre Couture, M.Sc.**  
Economist and Senior Portfolio Manager  
Experience: 28 years  
Team member since 2010

**Aïcha Traoré, M.Fin., M.Sc.**  
Analyst  
Experience: 4 years  
Team member since 2022

## Investment Process



## Responsible Investment

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

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Sources: MSCI, DGAM, as of June 30, 2024

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The performance shown is that of a composite of global equity mandates managed by 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 January 1, 1999. 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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