

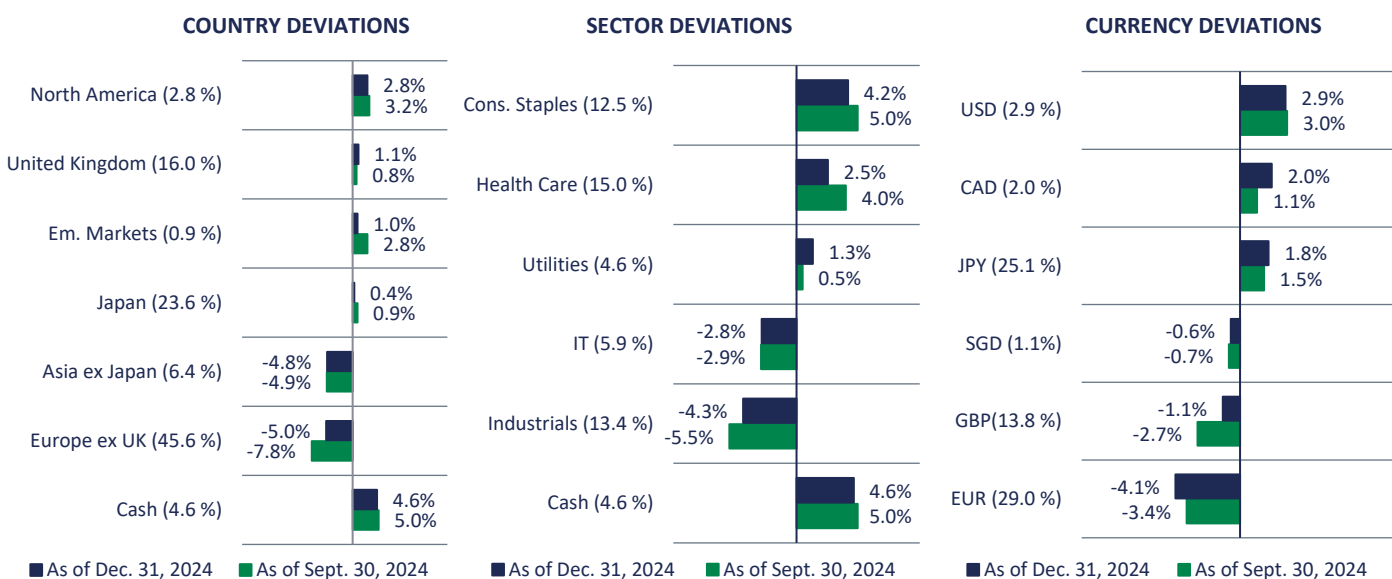
International Equities

Performance (CAD)

Annualized (%)	3 months	YTD	1 year	3 years	5 years	10 years	Since inception
Hexavest EAFE Composite	0.03	18.29	18.29	11.01	6.60	7.06	7.60
MSCI EAFE (net)	-2.18	13.24	13.24	6.14	6.92	7.50	6.03
VALUE ADDED	2.21	5.05	5.05	4.87	-0.32	-0.44	1.57

Ten last years (%)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Hexavest EAFE Composite	19.02	0.73	10.26	-2.51	11.47	-5.41	6.38	-2.37	18.47	18.29
MSCI EAFE (net)	18.95	-2.49	16.82	-6.03	15.85	5.92	10.32	-8.23	15.07	13.24
VALUE ADDED	0.07	3.22	-6.56	3.52	-4.38	-11.33	-3.94	5.86	3.40	5.05

Positioning (vs MSCI EAFE)



Market Outlook

MACROECONOMIC ENVIRONMENT	VALUATION	SENTIMENT
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Neutral

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The United States will continue to borrow against future growth to support its economy in 2025, with a projected deficit of 7% of GDP, despite full employment. The Trump administration definitely won't want to take the blame for a slowdown. This "resilient" growth implies more persistent inflation and much higher interest rates than are currently expected. In the medium term, Trump's promised deregulation could support investment, but the lack of visibility on economic policies will create a headwind. Unpredictability is not conducive to investment. Elsewhere in the world, expectations are low, and U.S. threats of high tariffs, even on traditional allies, are darkening the outlook. The tense or polarized political climate in a number of countries, a phenomenon often seen after episodes of high inflation, does not help. In Europe, there are some encouraging signs that credit is picking up, and China's stimulus measures will help exporters. We have raised our macroeconomic vector to neutral but only for the first half of 2025. Visibility after that point is much too limited.

Global equities were very expensive at the end of the fourth quarter, with the MSCI World's valuation reaching the 94th percentile of its historical distribution, the most expensive level since 2001, excluding the distortions caused by the pandemic in 2021. Meanwhile, the S&P 500's valuation touched the 100th percentile. Despite these extreme and speculative conditions, a few market segments were still attractively valued or in line with the economic situation or historical norms, especially mid caps, some cyclical sectors of the "traditional economy" and some defensive sectors. In contrast, information technology and industrials, which are riding the AI wave, were extremely expensive. Lastly, there were few bargains across regions, but all were cheap relative to the United States. In this context, we have maintained a triple-negative rating on valuation.

The somewhat more cautious tone we saw in the third quarter according to our aggregate sentiment index completely disappeared at the end of the year. Investors' sense of invincibility is noticeable in all our metrics. Retail investors, financial advisors, and professional and institutional managers all have extremely high exposure to equities, so there are very few marginal buyers left. The euphoria surrounding artificial intelligence has led to unprecedented market concentration that exposes even passive investors to specific risks related to a handful of overvalued and overbought securities. At year-end, our aggregate index was in overheated territory but still rising and therefore favourable for risk assets. For that reason alone, we have not lowered our sentiment rating and are keeping it at double-negative.

Our analysis of the three vectors encourages us to maintain a defensive bias. Our valuation and sentiment vectors reflect a level of euphoria rarely seen in the equity markets. Their levels are reminiscent of those seen just before the 2022 stock market correction. We are also concerned about the lack of macroeconomic visibility since Donald Trump's re-election.

International Equities

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%

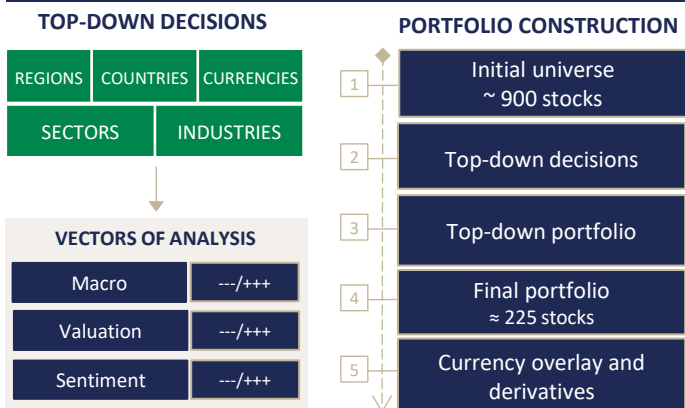
Investment Approach

- 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

Investment Team

<p>Marc C. Lavoie, CPA, CFA Manager, Global Top-down Strategy Experience : 23 years Joined team : 2003</p> <p>Christian Crête, CFA Senior Portfolio Manager Experience : 24 years Joined team : 2012</p> <p>Frédéric-Bouchard Labonté, M.Sc., CFA Senior Analyst Experience : 10 years Joined team : 2024</p>	<p>Jean-Pierre Couture, M.Sc. Economist and Senior Portfolio Manager Experience : 28 years Joined team : 2010</p> <p>Aïcha Traoré, M.Fin., M.Sc. Analyst Experience : 4 years Joined team : 2022</p> <p>Irina Prokopyeva, M.Sc., CFA Senior Analyst Experience : 8 years Joined team : 2024</p>
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Investment Process



Responsible Investment

- We have a team of 11 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 December 31, 2024

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The performance shown is that of a composite of international 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 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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