

# Quarterly Bulletin as of March 31, 2011

Natcan U.S. Equity Fund

**INVESTMENT APPROACH:** We are bottom up stock pickers, searching for secular growth opportunities that are reasonably priced. Preference is given to sectors offering sustainable growth and low volatility. The managers seek out and invest in the best business models globally: companies generating stable and persistent earnings growth, expanding and above-average profit margins, and high returns on capital. This combination of attractive characteristics provides a margin of safety and a cushion against a host of inevitable economic and business uncertainties.

## MARKET OVERVIEW

Financial markets were volatile over the last quarter as political turmoil spread in North Africa and the Middle East, followed by the devastating earthquake and nuclear crisis in Japan, which sent investors scrambling to reassess their outlooks. Nevertheless, North American markets overcame these major shocks and generated positive results in the first quarter, as investors saw signs that the recovery from the financial crisis has become self-sustaining.

The S&P 500 Index recorded a gain of 2.96% in Canadian dollar terms but a small positive offset was provided by a weaker greenback, boosting the index's return to 5.92% in U.S. dollar terms for the quarter. Energy, Industrials and Health Care were the best performing sectors while Consumer Staples and Utilities were the main laggards.

During the quarter investors continued to rotate into riskier sectors as Energy and Industrials benefited from important investment in-flows. Unsurprisingly, less cyclical sectors experienced less significant gains.

## PERFORMANCE ANALYSIS

The portfolio ended the first quarter up 3.15%, outperforming the S&P 500 which rose by 2.96%. Security selection in the Energy, Consumer Discretionary and Information Technology sectors was the main source of outperformance.

The largest contributors to relative performance over the quarter were Marathon Oil, Helmerich & Payne and National Oilwell Varco. Conversely, the absence of Exxon Mobil, Hewlett Packard and Ryder Systems in the portfolio was the main source of underperformance.

## PERFORMANCE (% - CAD)

	3 months	YTD	1 year	4 years	10 years
Fund <sup>1</sup>	3.16	3.16	5.68	-5.80	-3.50
Index <sup>2</sup>	2.96	2.96	10.39	-3.85	-1.58
Added Value	0.20	0.20	-4.71	-1.95	-1.92

1 - Everywhere in this bulletin, "Fund" refers to the Natcan U.S. Equity Fund.  
2 - Everywhere in this bulletin, "Index" refers to the S&P 500 Index.

## PERFORMANCE ATTRIBUTION VS INDEX

Sectors	Attribution (basis points)	Stocks	Contribution (basis points)
Energy	51	<b>Positive</b>	
Materials	-10	Marathon Oil	59
Industrials	-65	Helmerich & Payne	42
Consumer Disc.	20	National Oilwell Varco	24
Consumer Staples	-20	Conocophillips	23
Health Care	5	Microsoft	23
Financial Services	-8	<b>Négatives</b>	
Technology	41	Exxon Mobil	-40
Telecommunications	-3	Hewlett Packard	-20
Utilities	4	Ryder Systems	-18
Total Equities	15	Energizer Holdings	-17
Foreign Exchange/Liquidity	5	Citigroup	-16
<b>Total</b>	<b>20</b>		

Performance attribution includes sector allocation and stock selection. In green: not a portfolio holding.

## Natcan U.S. Equity Fund as of March 31, 2011

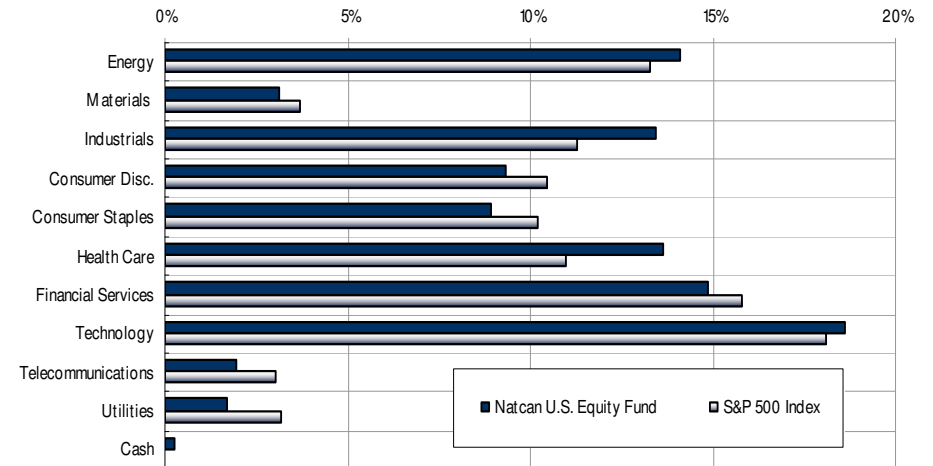
### OUTLOOK AND STRATEGY

During the quarter, we initiated new positions in Assurant, Constellation Brands, Diamond Offshore Drilling, Moodys, and Seacor. On the other hand, we liquidated positions in Goldman Sachs, KBR, Lubrizol, Procter & Gamble, Protective Life and Ryder Systems. Finally, we reduced our weighting in Citigroup and Corning and increased our positions in Cummins and ConocoPhillips.

Our largest sector overweight is Health Care, which is a result of bottom-up stock picking as we continue to identify stocks trading at a discount to their intrinsic value. We are also overweighting Industrials and Energy as emerging markets continue to drive demand for commodities, which should lead to increasing prices as well as company specific profitability. One of our largest underweights is in Consumer Staples, which typically underperforms in a recovery as growth lags other more cyclical sectors. We are also underweight in Financials, as financial institutions continue to deal with increasingly stringent regulations which we believe will decrease their ability to sustain historic profitability levels.

We will continue to look for companies that have exposure to high growth emerging economies. With growth slowing in the US, international companies that have invested in emerging market infrastructure should see above average growth rates over the next couple of years.

### SECTOR ALLOCATION



### TOP 10 HOLDINGS

Securities	Weight
Apple	5.1%
Chevron	3.2%
JPMorgan Chase & Co	3.0%
Oracle	2.6%
Intl Business Machine	2.6%
Philip Morris International	2.4%
Pfizer	2.4%
Time Warner Cable	2.3%
Conocophillips	2.3%
Citigroup	2.3%

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