

Quarterly Bulletin as of March 31, 2011

Natcan International 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

Geopolitical troubles and natural disasters teamed up to roil global stock markets in the first quarter with uncertainties related to uprisings in North Africa and the Middle East compounded by the strongest earthquake ever in Japan, and the resulting tsunami and nuclear crisis. However, in spite of these major unsettling events, markets continued to climb the proverbial ‘wall of worry’ as major indexes posted gains for the first quarter.

The MSCI EAFE increased by 1.19% in Canadian dollar terms, mainly driven by strong gains in the Energy sector as the political situation in Libya drove up the price of oil. The Telecommunications sector posted a solid performance following signs of an increase in merger and acquisition activities, followed by the Industrials sector that benefited from a strong recovery in industrial production.

PERFORMANCE ANALYSIS

The portfolio delivered a negative performance for the quarter, underperforming the MSCI EAFE index by 2.16%, largely due to stock selection. The Energy, Financials and Technology sectors were the largest source of underperformance, slightly offset by Health Care.

The strongest contributions to the portfolio’s relative performance over the quarter came from Intertek Group, Allianz SE and the absence in the portfolio of Tokyo Electric Power. Conversely, Canon, Hengan International and Petrofac were the strongest source of underperformance.

PERFORMANCE (% - CAD)

	3 months	YTD	1 year	4 years	10 years
Fund ¹	-0.97	-0.97	5.66	-7.51	1.34
Index ²	1.19	1.19	5.87	-6.99	0.43
Added Value	-2.16	-2.16	-0.21	-0.52	0.91

1 - Everywhere in this bulletin, “Fund” refers to the Natcan International Equity Fund.
2 - Everywhere in this bulletin, “Index” refers to the MSCI EAFE Index.

PERFORMANCE ATTRIBUTION VS INDEX

Sectors	Attribution (basis points)	Securities	Contribution (basis points)
Energy	-127	Positives	
Materials	-3	Intertek Group	38
Industrials	3	Allianz SE	29
Consumer Disc.	-14	<i>Tokyo Electric Power</i>	25
Consumer Staples	-23	Komatsu	22
Health Care	39	Novo-Nordisk	20
Financials	-37	Négatives	
Technology	-31	Canon	-29
Telecommunications	-5	Hengan International	-28
Utilities	-6	Petrofac	-27
Total equities	-204	CNOOC	-26
Foreign exchange/Liquidity	-5	Fuji Heavy Ind	-17
Total	-209		

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

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OUTLOOK AND STRATEGY

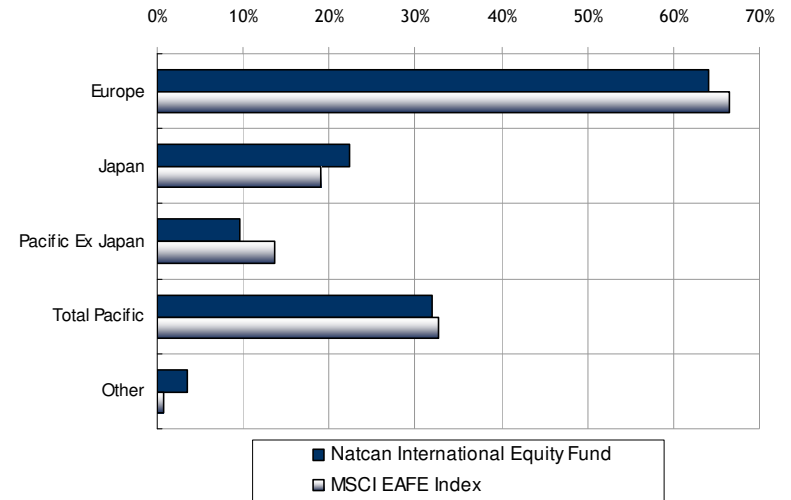
We maintain our focus on strong companies that generate free cash flow combined with investor deployment of these funds through dividends and stock buybacks. As worries about a potential double dip recession subside, we increased our exposure to economically geared companies mainly in the Industrials and Information Technology sectors towards the end of the quarter. Additionally, we increased our weight in the Materials sector mainly driven by stock picking though we decreased weights in the Energy sector following the geopolitical troubles and the uncertainty in the Middle East. Finally, we remain underweight in the Financial sector, as we expect financials to face strong revenue headwinds going forward given the more stringent regulation (as evident through “the Volker rule”) and capital requirements they face (basel III). Financials are therefore our biggest sector underweight in the portfolio.

After years of restraint in capital expenditure spending, companies are increasingly under pressure to invest in building their own future. Companies such as Komatsu are well positioned to benefit from this trend and Industrials are currently our biggest sector overweight.

Following the recent sell-down, the Japanese market seems very attractive on a couple of valuation metrics such as the Price/Book and the free-cash flow yield. Should there be signs that the nuclear crisis is coming to an end, we would consider a reduction of our underweight in this country.

On the European front, should a credible solution to the Euro crisis materialize, we would reduce our underweight in this Region. However, equity investors currently shrug off the European sovereign debt crisis and one of the lessons of 2010 is that this can change on very short notice. We believe that there is still no credible way out of the crisis and renewed concerns could trigger a sharp plunge in the stock market or Euro currency.

GEOGRAPHIC ALLOCATION



TOP 10 HOLDINGS

Securities	Weight
Vodafone Group	4.2%
BHP Billiton	3.4%
Nestle	3.3%
Komatsu	2.9%
BASF	2.9%
Intertek Group	2.8%
Bayer Motoren Werk	2.8%
Novo-Nordisk	2.8%
Brit American Tobacco	2.8%
Axa	2.5%

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