Quarterly Bulletin as at June 30, 2010

Natcan Canadian Equity Fund

INVESTMENT APPROACH: Our approach favours in particular undervalued stocks so as to minimize portfolio risk and preserve capital. Although this approach is usually associated with value investing, we also add a growth component to the portfolio by selecting businesses with an attractive profit-boosting catalyst. By not restricting our approach to a single style, we are able to stage a solid performance in all market phases. Moreover, we offer real active management by not hesitating to maintain sharp deviations. We believe that sector rotations are important, regardless of financial conditions. When warranted, we tend to go against market trends by moving into stocks and sectors shunned by investors. We exercise discipline when buying and selling securities, and we are convinced that it is just as important to avoid disaster as it is to hold star performers for generating spirited gains.

MARKET OVERVIEW

The S&P/TSX Index experienced its worst quarter since the end of 2008. In June, growing fears that the global economy would fall into recession for a second time in less than two years were responsible for markets continuing their downward correction that had begun at the end of April. The financing problems of several European countries, weaker than expected economic data and rumours of a real estate collapse in China fostered worries of a new global economic crisis. In spite of posting some of world's strongest economic statistics and corporate earnings exceeding expectations, the Canadian market did not escape the wave of panic, ending the quarter in the red. After beginning the period on a positive note (+1.7% in April), two consecutive months of losses took their toll, and the S&P/TSX Index ended up losing 5.5% for Q2 as a whole.

Given the context, it is not surprising that Financial Services were hard hit during the quarter. With a loss of 9.8%, this sector was responsible for 50% of the S&P/TSX index's loss for the period. Other sectors that suffered during the second quarter include Information Technology, Consumer Staples and Industrials.

PERFORMANCE ANALYSIS

Despite a substantial reduction in the portfolio's active risk since the end of 2009 and a strategy of focusing on cheaper stocks with solid balance sheets that are more sensitive to the strong Canadian economy, the portfolio's performance for the quarter was below our expectations by underperforming its benchmark index.

The current market environment is characterized by fear of a possible financial crisis and slowing global economic growth. Markets were dominated by a plethora of macroeconomic worries. In this kind of environment, the day's news tends to overshadow fundamentals, which increases short-term volatility.

PERFORMANCE (%)

	3 months	YTD	1 year	4 years	10 years
Fund[1]	-7.20	-3.93	10.38	4.05	7.25
Index[2]	-5.51	-2.55	11.95	2.18	3.27
Added Value	-1.68	-1.38	-1.57	1.87	3.98

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

PERFORMANCE ATTRIBUTION VS INDEX

Sectors	Attribution (basis points)	Securities	Attribution (basis points)
Cash	2	**Positive**	
Energy	-79	*Toronto Dominion Bank*	*38*
Materials	-87	Barrick Gold Corp	34
Industrials	-16	Magna Intl Inc	27
Consumer Disc.	52	Potash Corp of Saks.	26
Consumer Staples	13	Teck Resources Ltd	25
Health Care	-8	**Negative**	
Financial Services	-3	Agrium Inc.	-40
Technology	-42	Athabasca Oil Sands	-32
Telecommunications	-14	Nexen Inc.	-29
Utilities	0	*Eldorado Gold Corp*	*-27*
Total	**-184**	CIBC	-24

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

For more information about Natcan's Funds: 514-871-7600 or info@natcan.com

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NATCAN

Natcan Canadian Equity Fund as at June 30, 2010

OUTLOOK AND STRATEGY

Since the beginning of the year, we have been gradually reducing the portfolio's active risk in anticipation of a transition for the global economy. Despite the fact that the Canadian economy is in excellent health, our stock market was strongly impacted by international geopolitical and macroeconomic events.

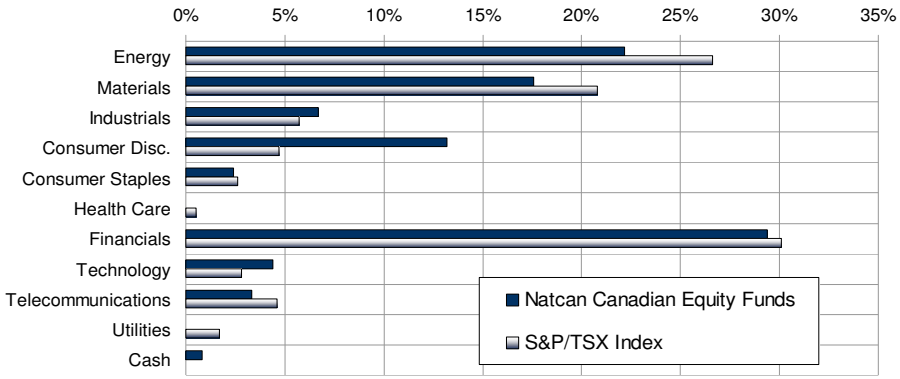
As the market correction continues, we see opportunities surfacing in the resource sectors. We intend to accumulate positions in these sectors over the coming weeks, after carefully analysing risk/return ratios. The biggest risk at this stage would be a pronounced economic and real estate slowdown in China.

During the quarter, we reduced our exposure to stocks that are highly sensitive to the global economy, and added Telus because of its attractive valuation and stable profits. In order to protect the portfolio against a potential devaluation of major currencies from developed countries, we increased our weighting in gold stocks, and added Canadian Tire, which should benefit from the strong job creation we have seen in Canada over recent months. In view of the intense competition, Research in Motion is experiencing from Apple and Google, we have reduced our RIM position.

We are likely to experience higher than normal volatility over the coming weeks. The portfolio's current structure positions it defensively while maintaining the flexibility required to capitalize on the opportunities we think will surface in the second half of the year.

Following the correction we had in the second quarter of 2010, the stock market is beginning to offer attractive opportunities. At this stage of the market cycle, we favour companies with strong business models that are trading at attractive valuations. Investors are adjusting to the prospect of more moderate global economic growth, but we may still be in for a few bumps along the way.

SECTOR ALLOCATION



TOP 5 HOLDINGS

Securities	Weight
Barrick Gold Corp	6.2%
Suncor Energy Inc.	5.7%
Royal Bank	5.6%
Canadian Natural Resources	4.8%
Bank of Montreal	4.6%

MAIN ACTIVE WEIGHTS

Overweight		Underweight	
Barrick Gold Corp	2.6%	Toronto Dominion Bank	-4.7%
Magna Intl Inc.	2.5%	Transcanada Corp	-1.9%
CIBC	2.4%	BCE Inc.	-1.9%
Quebecor Inc.	2.3%	Enbridge Inc.	-1.5%
Bank of Montreal	2.1%	Potash Corp of Sask	-1.2%

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