

Quarterly Bulletin as at June 30, 2010

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

The market posted a significant decline during the quarter, falling by over 11%. A small positive offset was provided by the weaker loonie, which boosted the index's return to -10% in Canadian dollar terms. Market weakness was largely a function of renewed concern about the economic recovery that appears to be faltering. As U.S. economic data continues to be mixed, European governments and the European Central Bank are taking a more aggressive stance against growing deficits and easy monetary policy.

The declines noted above were spread across all 10 sectors. The weakest sectors were Energy and Information Technology. The best performing sectors (Consumer Staples and Telecommunications) were nonetheless down considerably for the quarter.

As was the case with the sectors, losses were broad-based from a geographic perspective, with both Europe and Asia losing ground in local terms. Asian declines were partially offset by local currencies strengthening versus the Canadian dollar. The situation for Europe was just the opposite - the Euro declined versus our currency, worsening the fund's performance in Canadian dollar terms.

PERFORMANCE ANALYSIS

The fund's performance was in line with its benchmark index. Security selection was a modest positive with the most notable gains coming from Consumer Staples and Energy sectors. These gains were partially offset by stock picks made in the Consumer Discretionary sector. Sector allocation was a slight negative, largely because of the underweight positions in Consumer Discretionary and Telecommunications, and an overweight position in Technology.

PERFORMANCE (% - CAD)

	3 months	YTD	1 year	4 years	10 years
Fund ¹	-9.84	-11.99	-0.87	-6.94	-1.66
Index ²	-9.90	-12.05	-3.08	-5.76	-3.11
Added Value	0.06	0.06	2.22	-1.18	1.45

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	41	Positives	
Materials	-21	Tingyi (Cayman Island)	38
Industrials	13	BP PLC	29
Consumer Disc.	-63	Hengan International	27
Consumer Staples	47	<i>Nokia OYJ</i>	25
Health Care	34	Total	20
Financials	8	Négatives	
Technology	-27	BHP Billiton Ltd	-54
Telecommunications	-19	Rio Tinto Limited	-47
Utilities	-16	Barclays	-35
Total equities	-3	Tencent Hldgs limi	-33
Foreign exchange/Liquidity	12	Hoya Corp	-29
Total	9		

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

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OUTLOOK AND STRATEGY

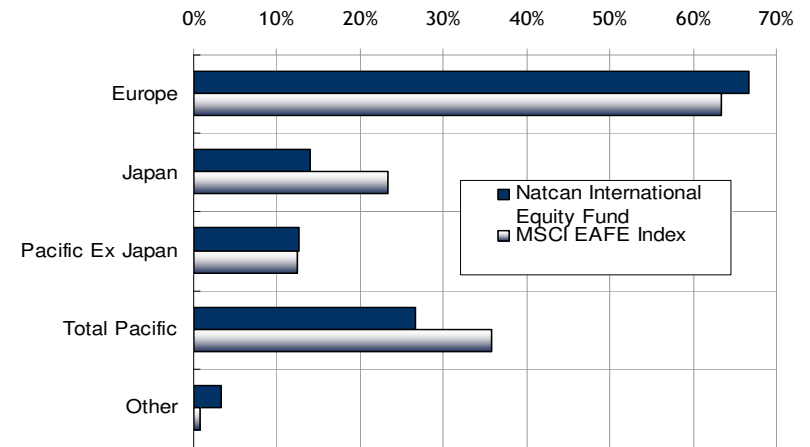
In times of economic uncertainty, predictability is the attribute most sought after by investors. We maintain our focus on companies that generate strong free cash flow and reliable dividends, since investors are starved for yield in the current low interest rate environment where the coupon on 10-year U.S. government bonds is less than 3%.

We encourage the companies our portfolio invests in to optimize their capital structure through share buy-backs, higher dividends and well-chosen M&A transactions. The sectors that currently best provide these attributes are Health Care and Information Technology.

Our biggest sector position is Health Care: cash as a percentage of assets is at a historical high and an additional 30 million Americans will soon have access to medical care for the first time in their lives. We also see potential for further cost cutting through better use of Information Technology.

During the quarter we began optimizing the portfolio using Barra. As a result, turnover was unusually high. The most notable additions include Petrofac, Alfa Laval, Standard Chartered, Tingyi, Samsung and BMW. Roche, Novartis, Royal Dutch Shell, Telefonica, Rio Tinto and Woodside were eliminated from the portfolio.

GEOGRAPHIC ALLOCATION



TOP 10 HOLDINGS

Securities	Weight
Nestle Sa	5.5%
Novo-Nordisk As	3.8%
Cnooc Ltd	3.3%
BHP Billiton Ltd	3.1%
Basf Se	2.8%
Brit Amer Tobacco	2.5%
Allianz Se	2.5%
Petrofac	2.5%
Alfa Laval Ab	2.2%
Intertek Group	2.2%

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