

Quarterly Bulletin as of September 30, 2010

Natcan Canadian Bond Fund

INVESTMENT APPROACH: We are active managers who apply a quantitative approach based on macroeconomic analysis where the emphasis is placed on the management of a reward/risk equation. Our objective is to maintain an asymmetry of expected returns versus the underwritten risks. Our management approach is a three-step process. The first step consists in a strategic replication of the benchmark in order to reduce tracking errors and to control the portfolio's risk. We select specific securities in order to capture liquidity and complexity premiums accessible on the market without adding credit or duration risks. Finally, the third and last step focuses on performing tactical management deviations relative to the benchmark.

MARKET OVERVIEW

The DEX Universe Index continued to outperform other asset classes. The index gained 3.15% in the third quarter, on the strength of a sharp drop in overall government interest rates. Longer term and provincial bonds posted the best performances.

The third quarter was characterized by a deepening economic slowdown south of the border. The sound economic growth seen at the start of the year has begun to tail off. Economic indicators are pointing to an impending bad patch for the U.S. economy in the months to come. Many pundits are anticipating that the Fed will begin a second round of quantitative easing to help boost the U.S. economy.

The Bank of Canada continued to tighten its monetary policy by increasing its rate by a quarter point twice to reach 1.00%. However, given the slowdown in Canadian economic data, markets do not expect the Bank will continue to increase rates.

PERFORMANCE ANALYSIS

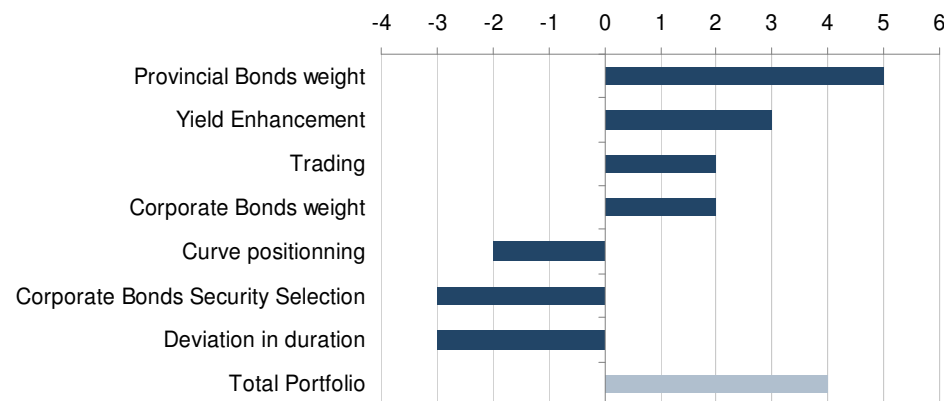
For the quarter, the portfolio outperformed its benchmark index, DEX Universe Index. The main source of added value was the overweight in provincial bonds that offered the best quarterly performance. This position allowed us to outweigh the impact of the portfolio's duration positioning. As a result of strong economic data during the first half of the year, we adopted a portfolio strategy to position our duration shorter than that of the index. The European financial and economic crisis coupled with soft economic data out of the U.S. and Canada led to lower rates, as a result we closed most of our position.

PERFORMANCE (%)

	3 months	YTD	1 year	4 years	10 years
Fund ¹	3.20	7.37	7.37	6.24	6.85
Index ²	3.15	7.51	7.33	5.93	6.71
Added Value	0.05	-0.14	0.04	0.31	0.14

1 - Everywhere in this bulletin, "Fund" refers to the Natcan Canadian Bond Fund.
2 - Everywhere in this bulletin, "Index" refers to the DEX Universe Bond Index.

PERFORMANCE ATTRIBUTION VS INDEX



Natcan Canadian Bond Fund as of September 30, 2010

OUTLOOK AND STRATEGY

The duration of the portfolio was increased in July and August. The portfolio's strategy consists of maintaining a slightly higher duration than the benchmark, as economic data on both sides of the border became less positive over the quarter. Consequently, we also believe that a flattening of the yield curve in the 5-10 years segment is to be expected.

Provincial bonds remain an attractive option as provincial funding programs are almost complete and budget deficits have diminished. We are maintaining an overweight in provincial bonds.

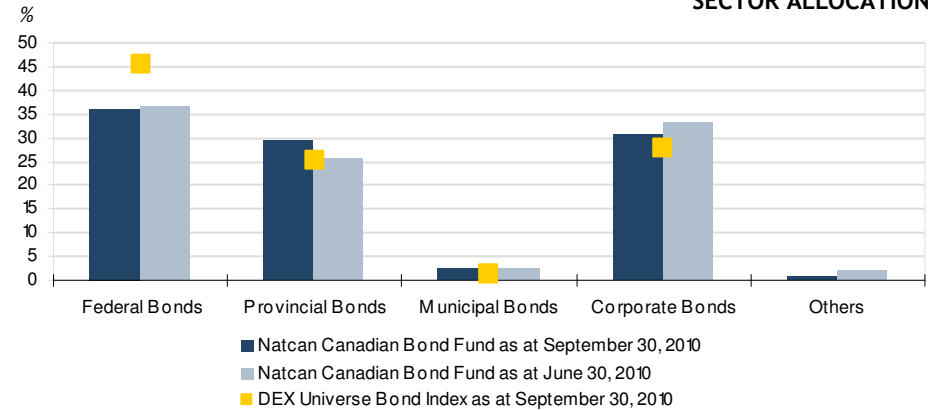
The portfolio's risk was decreased by selling BBB-rated issues. Long-term AA-rated securities offer excellent value, as does the subordinated portion of banks' capital structure, which suffered a substantial decline in June. We are maintaining our slight overweight in corporate bonds, while remaining selective regarding the types of issues and issuers.

The main short-term impacts of the current financial markets : The economic environment should remain uncertain, we anticipate interest rates remaining at very low levels for some time, equity returns should remain volatile and we believe the loonie will continue to rise.

MODIFIED DURATION

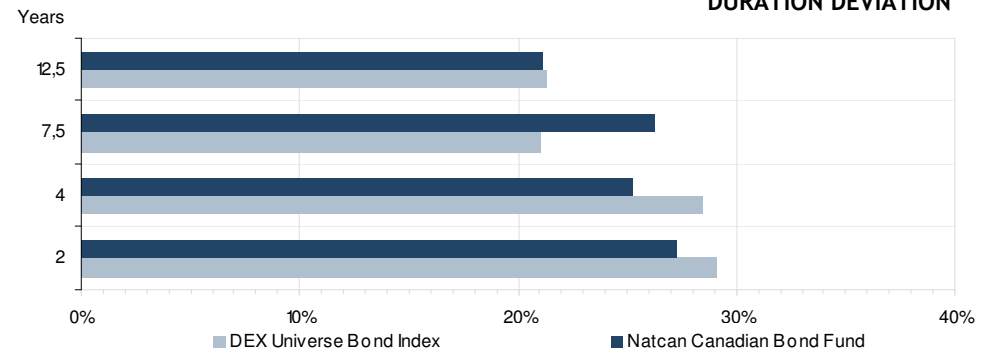
	As at September 30, 2010	As at June 30, 2010
Natcan Canadian Bond Fund	6,47 years	5,83 years
DEX Universe Bond Index	6,29 years	6,09 years

SECTOR ALLOCATION



Note: Most Supranational Agency bonds issued in Canadian currency are considered under Federal bonds. A small percentage can also be found under Corporate bonds.

DURATION DEVIATION



Note: Duration points are interpolated between these four points. Shorter and longer bonds are placed in the 2 and 12.5 buckets respectively.

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