Quarterly Bulletin as of December 31, 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 main element of the last quarter was the purchase of government securities by the Federal Reserve (Fed). Concerned with anaemic unemployment levels and a drop in inflation, the Fed decided to inject additional liquidity into the market. The strategy is intended to reduce overall interest rate levels, thereby bringing down financing costs and giving a much-needed boost to companies, employment and consumer spending. It appears the Fed's strategy has at least partially paid off in the short term. Stock markets are rising, riskier assets are performing well and most advanced economic and confidence indicators are strengthening. However, two aspects remain on shaky ground south of the 49th parallel: The real estate sector and the job market. Real estate remains weak, although prices have stopped plunging. Even though no net job loss has occurred since December 2009 and close to 1.2 million positions have been created in the first 11 months of the year, many more are needed to make up for the 8 million lost since 2008.

In contrast, Canada remains in a better position, with virtually uninterrupted jobs creation and a more robust real estate market. This context triggered a 35 basis points increase in the 10-year segment of Canadian government bonds. The Bank of Canada increased its key rate from 0.25% to 1.00% during 2010. Provincial bond spreads tightened while corporate bond spreads widened over the quarter. Nevertheless, the Bank of Canada opted to keep its key rate unchanged for the quarter.

PERFORMANCE ANALYSIS

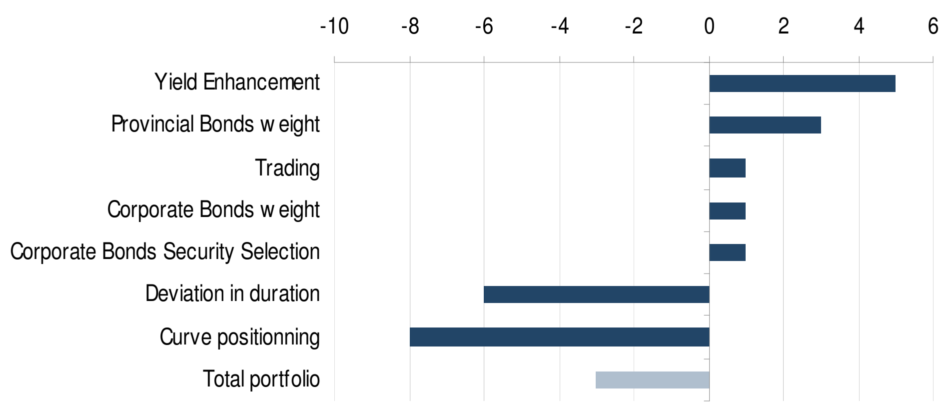
In this context, the portfolio posted a negative return over the past quarter with its downturn slightly more than the DEX Universe Bond Index, which fell -0.71%. The underperformance was mainly attributable to the portfolio's positioning on the yield curve over the period, a drawback that was partially offset by the overweight in corporate bonds.

PERFORMANCE (%)

	3 months	YTD	1 year	4 years	10 years
Fund[1]	-0.74	6.57	6.57	5.86	6.46
Index[2]	-0.71	6.74	6.74	5.56	6.33
Added Value	-0.03	-0.17	-0.17	0.30	0.13

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



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

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OUTLOOK AND STRATEGY

We currently favor a neutral duration vis-à-vis the benchmark, the DEX Universe Bond Index. With the positive wave of Canadian economic data, we may soon begin considering a shorter duration. We have positioned the portfolio with a view to a flattening of the 5-10-year segment of the curve in Canada.

In the fourth quarter, the positive outlook encouraged us to try to seize on opportunities available in the corporate market. Our increased exposure to this segment was established selectively so as to identify relatively low-cost issues, such as subordinated short-term debt.

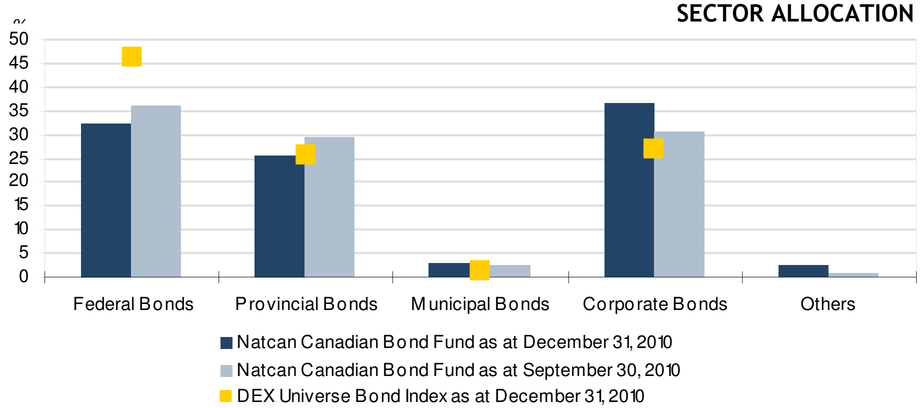
We further reduced our weighting in provincial bonds to purchase corporate bonds. Nevertheless, provincial issues remain an excellent value in historic terms, as provincial financing programs are between 75% and 100% completed and budget deficits are lower than expected.

In the short term, we anticipate that the economic climate will remain uncertain and volatile. Recent data hint at an improving situation south of the border; however caution is still required as European sovereign debt and the U.S. job and real estate markets remain anaemic.

MODIFIED DURATION

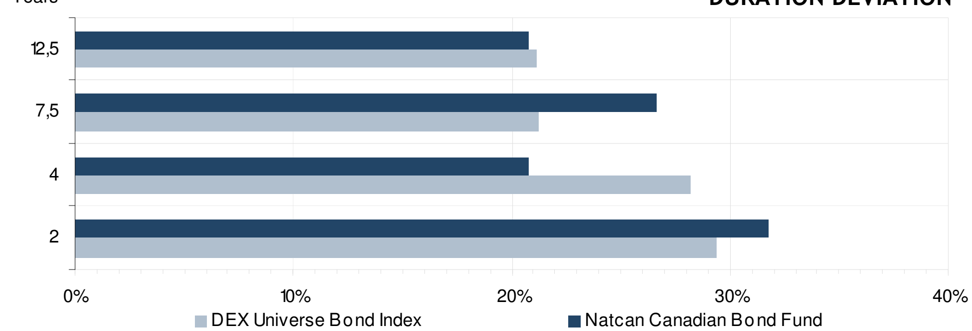
	As at December 31, 2010	As at September 30, 2010
Natcan Canadian Bond Fund	6,28 years	6,47 years
DEX Universe Bond Index	6,26 years	6,29 years

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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