Quarterly Bulletin as at June 30, 2010

Natcan Corporate Universe Bond Fund

INVESTMENT APPROACH: Based on rigorous risk management, our approach focuses on capital preservation. Our experts share a global market perspective, and favour a disciplined investment process rooted in the belief that security and industry selection plays a central role in portfolio performance. The portfolio is actively managed without duration deviations. Our management process begins with the duplication of the index through vigorous security selection. We then proceed to an in-depth analysis of relative values with the help of derivatives in order to increase the yield of the portfolio while avoiding additional credit risk. We then analyse economic, fundamental, and technical factors to try to predict Canada and U.S. credit spreads over a 6-month horizon. Finally, we initiate different tactical deviations, and conclude with the management, in real time, of these deviations by evaluating the risk and expected return of the portfolio.

MARKET OVERVIEW

The tone of the corporate market for the second quarter was the opposite of what we experienced during the first three months of 2010. Global concerns over the European sovereign credit crisis brought volatility and instability back to capital markets, notwithstanding the improving economic conditions around the globe. Corporate bond spreads widened by 40 basis points during the quarter, mainly due to a 35 to 60 basis point drop in government bond yields along the yield curve. New issue activity picked up considerably by the end of the quarter, as corporations took advantage of lower yields and liquidity prior to summer vacation season. Royal Bank made significant pricing concessions when it came to market with a new issue of subordinated debt, which prompted a re-pricing of the entire Canadian Bank debt space. For example, the subordinated debt to deposit note relationship almost tripled, increasing from 18 to 49 basis points by the end of June. As a result of the cash investors held on the sidelines, new issues sold well overall, but their performance on the secondary market remained largely unchanged.

The DEX Universe Corporate Index posted an absolute return of 2.3% for the second quarter of 2010, most of which was realized during the month of June. This return is in line with what we experienced for the first quarter of this year. However, the corporate bond index underperformed its federal counterpart by 80 basis points over the period, with the latter returning 3.1%. Posting a 4.2% return, the DEX Universe Corporate Index's best performing sector was the longer term maturities, mostly the AA and A credit ratings.

PERFORMANCE ANALYSIS

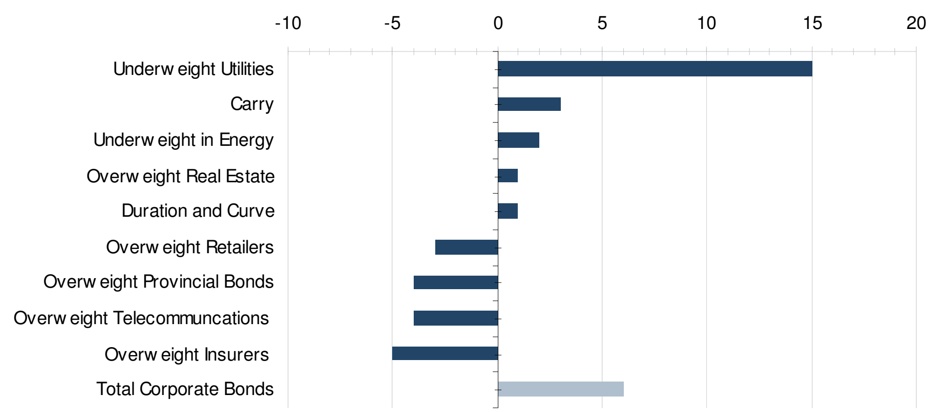
The portfolio delivered a positive performance for the quarter exceeding that of its reference benchmark, largely due to being underweight utilities. The portfolio also benefited from an underweight position in energy and an overweight position in the real estate sector. Conversely, the overweight of provincial bonds and the overweight positions in insurance and telecommunications cost the portfolio several basis points of return.

PERFORMANCE (%)

	3 months	YTD	1 year	4 years	Since Inception (2005-12)
Fund[1]	2.33	5.16	12.87	7.85	6.73
Index[2]	2.27	4.52	10.27	6.93	5.90
Added Value	0.07	0.64	2.60	0.92	0.83

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

PERFORMANCE ATTRIBUTION VS INDEX



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OUTLOOK AND STRATEGY

Due to the concerns regarding European Banks, we began reducing our overweight positions in BBB credits and Tier 1 Canadian bank debt to lower the risk of the portfolio. The BBB positions we sold were mostly in the energy and real estate sectors. The proceeds of the dispositions were used to buy Canadian bank subordinated debt (two new issues from CIBC and Royal Bank) and to cover outflows.

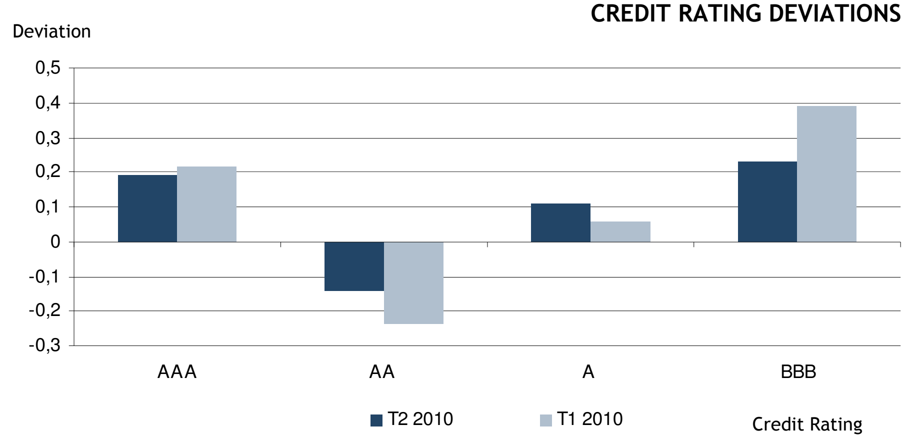
Our biggest overweight is in the Industrial sector. It is largely due to a position in a food retailer with an attractive spread and a turnaround story. This company should prove to be resilient in case of an economic downturn. We sold more economic sensitive positions, for example SNC-Lavalin.

Our exposure to federal and provincial bonds remained unchanged over the period. Provincial bonds were kept mostly for liquidity purposes without sacrificing carry, and used as a substitute for Canadian bank deposit notes, even though the spread between these two widened by approximately 10 basis points during the quarter. We used Government of Canada bonds as a cash substitute while we are waiting for attractive new corporate issues.

We increased our underweight in Infrastructure bonds during the quarter while reducing our BBB exposure. This is one of the most expensive sectors in Canada, with its bonds often trading at their Canada call yield.

The summer months should prove to be fairly quiet in terms of new issue activity and secondary market trading, a factor we expect to favour our portfolio which is slightly more risky than the overall market. Our prediction is for corporate bond spreads to remain range-bound during the coming months. We will be opportunistic in lowering the portfolio's risk even more as liquidity windows arise. Our strategy is to bring the portfolio's risk down toward a more market-neutral position in an orderly fashion. We have a significant cash position in provincial and federal government bonds that will allow us to participate in new issues, which we anticipate to be plentiful beginning this fall.

CREDIT RATING DEVIATIONS



Note: Dollar duration = duration spread x weighting spread

MAIN DEVIATIONS

Overweights	Natcan	Index	Deviation	Natcan Duration	Index Duration	DV01
Gouvernement of Canada	3,56%	0,00%	3,56%	4,1		0,15
First Capital Realty	2,50%	0,25%	2,25%	3,0	3,2	0,07
BMW Canada Inc	2,48%	0,29%	2,19%	2,6	2,6	0,06
Intact Financial Corp	2,33%	0,20%	2,14%	13,4	10,2	0,29
General Electric Capital Canada	5,43%	3,67%	1,77%	5,0	5,5	0,07
CDP Financial	1,64%	0,00%	1,64%	7,7		0,13
CI Financial Corp	1,70%	0,17%	1,53%	3,5	3,1	0,05
American Express Canada	2,00%	0,53%	1,48%	3,6	3,3	0,05
Husky Energy Inc	1,68%	0,27%	1,41%	5,3	6,1	0,07
Loblaw	2,52%	1,19%	1,33%	10,8	8,7	0,17

Underweights	Natcan	Index	Deviation	Natcan Duration	Index Duration	DV01
Toronto Dominion Bank	3,93%	6,86%	-2,93%	6,092	4,594	-0,08
Hydro One Inc	0,00%	2,73%	-2,73%		8,535	-0,23
CIBC	2,84%	4,97%	-2,13%	4,754	3,973	-0,06
Bank of Montreal	2,97%	5,00%	-2,03%	4,067	4,168	-0,09
Enbridge Inc	0,76%	2,66%	-1,90%	13,299	8,783	-0,13
Wells Fargo Finance Canada	0,00%	1,64%	-1,64%		3,116	-0,05
Greater Toronto Airporth Authority	1,61%	2,94%	-1,32%	7,984	8,092	-0,11
CU Inc	0,00%	1,17%	-1,17%		9,858	-0,12
Spectra Enegy	0,51%	1,54%	-1,03%	10,447	7,898	-0,07
Master Credit Card Trust	0,00%	1,00%	-1,00%		1,901	-0,02

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