

Quarterly Bulletin as at June 30, 2010

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 Mid-Term Corporate Index posted a 2.4% return 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 180 basis points over the period, with the latter returning 4.2%. All three credit rating sectors for the DEX Mid Corporate Index showed a similar performance for the quarter.

PERFORMANCE ANALYSIS

The portfolio delivered a positive performance for the quarter exceeding that of its reference benchmark, largely due to being underweight Utilities and overweight Retailing. The portfolio also benefited from an underweight position in Energy. Conversely, exposure to Provincial Bonds cost the portfolio several basis points.

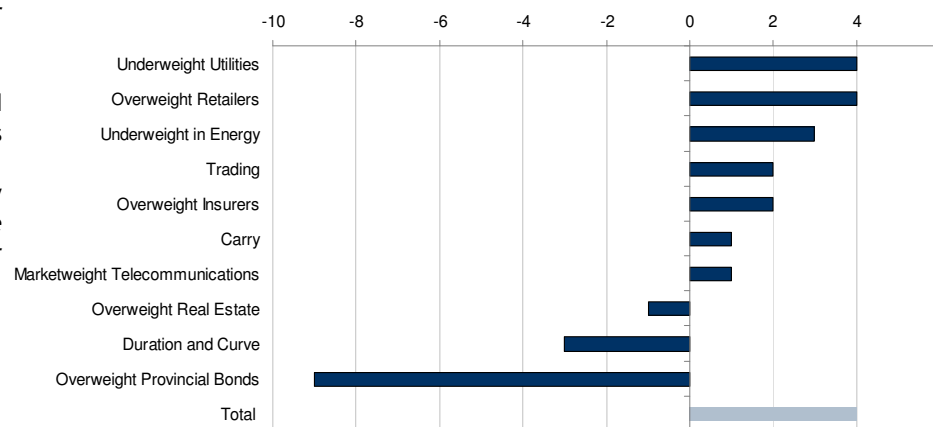
For more information about Natcan's Funds: 514-871-7600 or info@natcan.com

PERFORMANCE (%)

	3 months	YTD	1 year	4 years	10 years
Fund ¹	2.40	5.65	14.14	8.39	8.10
Index ²	2.35	5.18	12.56	7.78	7.80
Added Value	0.05	0.46	1.58	0.61	0.30

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

PERFORMANCE ATTRIBUTION VS INDEX



Natcan Corporate Bond Fund as at June 30, 2010

OUTLOOK AND STRATEGY

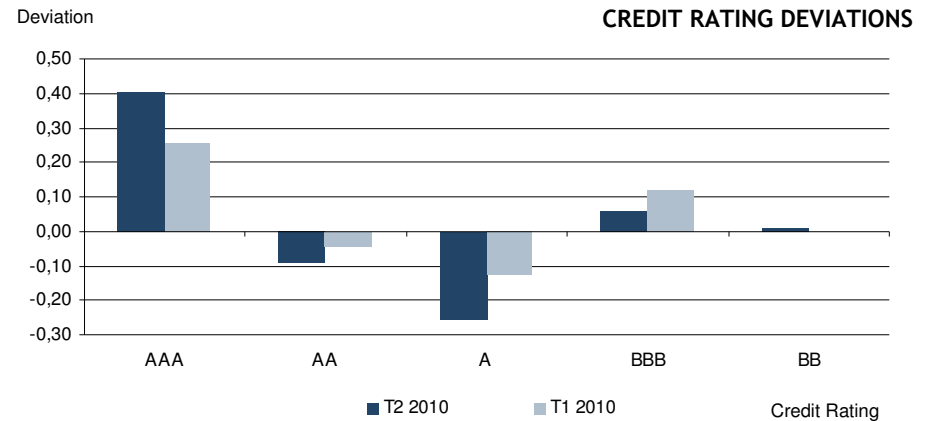
Due to the concerns regarding European Banks, we began reducing our overweight positions in BBB credits and Tier 1 Canadian bank debt to lower the risk of the portfolio. The BBB positions we sold were mostly in the energy and real estate sectors. The proceeds of the dispositions were used to buy Canadian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

Our exposure to federal and provincial bonds remained unchanged over the period. Provincial bonds are mostly kept 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 use 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 term 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.



Note: Dollar duration = duration spread x weighting spread

MAIN DEVIATIONS

Overweights	Natcan	Index	Deviation	Natcan Duration	Index Duration	DV01
Government of Canada	3,51%	0,00%	3,51%	7,071		0,25
CDP Financial	2,05%	0,00%	2,05%	7,770		0,16
First Capital Realty	2,17%	0,17%	2,00%	5,026	5,316	0,10
Province of Ontario	1,88%	0,00%	1,88%	5,925		0,11
Husky Energy Inc	1,91%	0,54%	1,37%	7,549	7,549	0,10
Intact Financial Corp	1,57%	0,34%	1,23%	11,937	7,109	0,16
Brookfield Renewable Power	2,22%	1,01%	1,22%	6,344	5,744	0,08
Loblaw	2,03%	0,86%	1,17%	7,740	6,446	0,10
Great-West Lifeco	3,51%	2,39%	1,13%	6,193	5,926	0,08
Bank de Montreal	8,11%	6,99%	1,12%	5,630	5,851	0,05

Underweights	Natcan	Index	Deviation	Natcan Duration	Index Duration	DV01
Enbridge Inc	1,35%	3,80%	-2,45%	6,986	6,717	-0,16
National Bank	0,00%	2,10%	-2,10%		5,807	-0,12
Capital Desjardins Inc	0,00%	1,92%	-1,92%		6,689	-0,13
Royal Bank	2,76%	4,67%	-1,91%	4,158	5,484	-0,14
Hydro One Inc	0,00%	1,88%	-1,88%		6,078	-0,11
Bank of Nova-Scotia	2,48%	4,16%	-1,68%	5,428	5,663	-0,10
Encana Corp	0,00%	1,07%	-1,07%		6,025	-0,06
Fairfax Financial Holdings Ltd	0,00%	0,92%	-0,92%		6,693	-0,06
Molson Coors Capital Finance	0,31%	1,21%	-0,89%	4,540	4,540	-0,04
Shaw Communications Inc	1,98%	2,70%	-0,73%	7,100	6,410	-0,03

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