

Quarterly Bulletin as of March 31, 2011

Natcan Small Cap Equity Fund

INVESTMENT APPROACH: We favour a growth-oriented style, which is particularly appropriate for the management of small caps. Unlike other managers, we pay special attention to the preservation of capital and seek growth opportunities across all sectors so as to diversify value-added sources. We offer a real small-cap Canadian equity product and, as such, we don't hesitate to liquidate stocks where market capitalizations has grown too big. Moreover, we draw on U.S. stocks to enhance diversification in sectors with little or no representation in Canada. Stock selection remains a priority over the selection of individual sectors, the latter being a complementary decision. A natural bias favours industrial products that are particularly conducive to innovation, and consumer products and distribution, that are sectors in expansion. On the other hand, we maintain an unfavourable bias for the resources sectors given that size and economies of scale are predominant factors.

MARKET OVERVIEW

Stock markets shrugged off geopolitical tensions and events in Japan to end the first quarter in positive territory. Nevertheless, Canadian indices continued to rise, with small capitalization stocks beating their larger peers in the final month of the quarter.

The S&P/TSX Small Cap Index registered 4.25% over the quarter. Energy (10.57%) and Financial Services (10.35%) posted the best performances over the period. Health Care (-10.26%) and Technology (-2.07%) were the only sectors to lose ground over the period.

PERFORMANCE ANALYSIS

The Fund posted a positive absolute performance, beating its benchmark for the first quarter of 2011. Energy, Financials and Health Care recorded the greatest gains while Consumer Discretionary and Materials lost ground.

The Fund's sector deviations had little impact on returns, while the negative impact of our underweights in Financial Services and Technology was more than offset by the positive contribution of our underweight in Materials. Positive contributions on the quarter were generated by Héroux-Devtek, First Service Corp and Advantage Oil & Gas. In contrast, Transat A.T., Northgate Minerals, and the absence in the portfolio of First Majestic Silver drained the most value.

PERFORMANCE (%)

	3 months	YTD	1 year	4 years	10 years
Fund ¹	5.05	5.05	26.14	6.45	11.81
Index ²	4.25	4.25	34.25	4.40	11.57
Added Value	0.80	0.80	-8.11	2.05	0.24

1 - Everywhere in this bulletin, "Fund" refers to the Natcan Small Cap Equity Fund.
2 - Everywhere in this bulletin, "Index" refers to a combined index as calculated by Natcan (BMO Small Cap Index until August 2007, and S&P/TSX SmallCap Index since then).

PERFORMANCE ATTRIBUTION VS INDEX

Sectors	Attribution (basis points)	Securities	Attribution (basis points)
Cash	-7	Positive	
Energy	37	Heroux-Devtek Inc.	121
Materials	-26	FirstService Corp	64
Industrials	130	Advantage Oil & Gas	57
Consumer Disc.	-118	Extencicare Reit	51
Consumer Staples	16	Gammon Gold	50
Health Care	24	Negative	
Financial Services	33	Transat A.T. Inc.	-88
Technology	-19	<i>First Majestic Silver</i>	<i>-46</i>
Telecommunications	0	Northgate Minerals	-35
Utilities	11	<i>Fronteer Gold Inc.</i>	<i>-30</i>
Total	81	<i>Labrador Iron Ore</i>	<i>-30</i>

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

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OUTLOOK AND STRATEGY

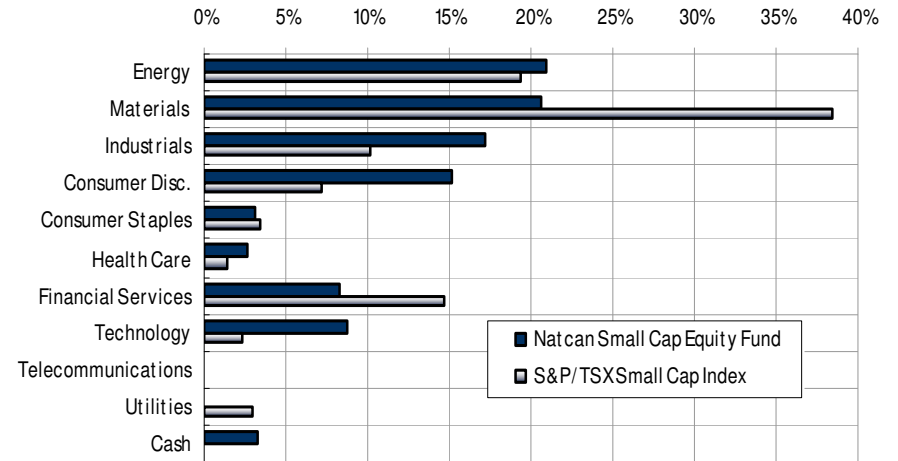
Markets continue to be resilient, but that resilience may be severely tested in coming quarters. The rebound in the job and housing markets south of the border and the Fed's decision on continuing its quantitative easing measures must be added to the international events that investors have to take into consideration. Given this environment, it goes without saying that market volatility will remain present, while pessimism and optimism will continue to walk hand in hand.

Our strategy is primarily based on security selection, and our sector deviations flow naturally from this approach. However, macroeconomic factors such as inflation (or the perception thereof) are taken into consideration when selecting new securities and monitoring our existing positions. We therefore remain comfortable with our positions in Industrials, as most of the portfolio's holdings will not see their profitability greatly affected by the recent increase in transportation costs and the majority of commodities.

TOP-5 HOLDINGS

Securities	Weight
FirstService Corp	3.9%
TransForce Inc	3.9%
Garda World Secur	3.6%
Gammon Gold	3.3%
Advantage Oil & Gas	3.3%

SECTOR ALLOCATION



BUYS AND SELLS

Additions	Sectors
Allana Potash Corp	Materials
Aura Minerals Inc.	Materials
Complete Prod Services	Energy
Emerge Oil & Gas	Energy
Savanna Energy	Energy

Withdrawals	Sectors
Farallon Mining Ltd	Materials
Radioshack Corp	Consumer Disc.
Westaim Corp	Financial Services

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