

Quarterly Bulletin as at June 30, 2010

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.

PERFORMANCE (%)

	3 months	YTD	1 year	4 years	10 years
Fund ¹	-7.19	-1.82	34.43	2.20	9.27
Index ²	-4.62	0.06	37.77	-0.80	6.70
Added Value	-2.56	-1.88	-3.35	3.00	2.57

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).

MARKET OVERVIEW

While Canadian small capitalization stocks posted a negative return for the second quarter of 2010, the year-to-date return for this asset class was positive, and small cap stocks outperformed their larger capitalization counterparts, despite a sharp increase in investor risk aversion.

Gold stocks produced a large positive contribution to the index's returns in the last quarter, with Materials and Health Care being the only additional sectors to deliver positive returns. The probability of an economic slowdown in China coupled with doubts related to economic growth in the U.S. had a strong negative impact on the Energy, Mining, Industrials and Consumer sectors.

PERFORMANCE ANALYSIS

The portfolio's absolute performance for the quarter was negative, and below that of its reference index.

Our biggest source of negative relative performance was the Materials sector, and more specifically our underweight in Gold stocks. This underweight explains the portfolio's entire relative underperformance versus the benchmark.

PERFORMANCE ATTRIBUTION VS INDEX

Sectors	Attribution (basis points)	Securities	Attribution (basis points)
Cash	-27	Positive	
Energy	141	Transglobe Energy	111
Materials	-278	Quadra Fnx Mining	50
Industrials	-114	Mediagrif Interact	49
Consumer Disc.	-9	Logibec grp Informat	43
Consumer Staples	3	<i>Toromont Inds Ltd.</i>	<i>36</i>
Health Care	-7	Negative	
Financial Services	-17	Garda World Secur	-104
Technology	31	Aecon Group	-66
Telecommunications	26	<i>New Gold Inc.</i>	<i>-64</i>
Utilities	-7	Eastern Platinum Ltd	-62
Total	-231	Farallon Mining Ltd	-60

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

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OUTLOOK AND STRATEGY

No significant changes were made to the portfolio's strategy during the quarter. We sold two U.S. bank stocks (Zions Bancorp and TCF Financials) at a profit. This is in line with our disciplined approach of being quick to take profits in the U.S. component of the portfolio.

We feel that the recent turbulence has given us some excellent buying opportunities in sectors that are poised to deliver positive long-term growth. For instance, we added Amedisys Health to the portfolio, a U.S. firm that delivers hospital services to the home. We also took a position in Gammon Gold, because its share price had been negatively impacted by operating problems the company is currently experiencing - problems that we anticipate to be quickly resolved.

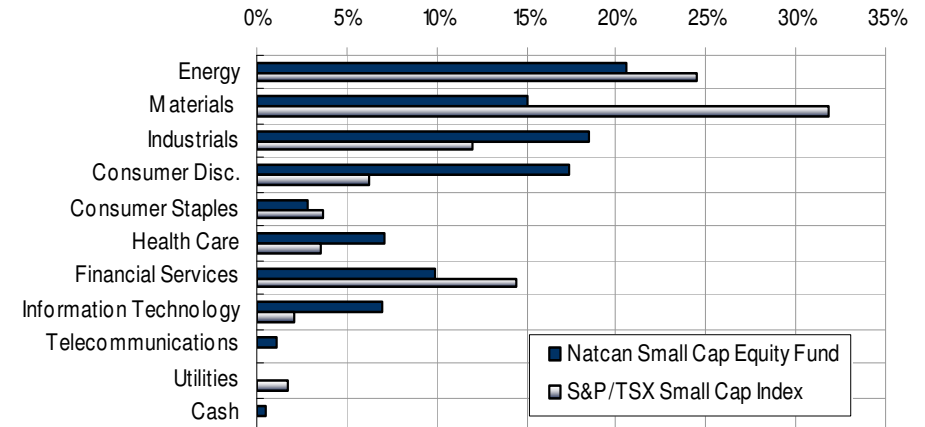
We feel that the global economy and financial markets are at an inflexion point. Gold stocks continue to dominate, and market correlation is excessively positive, which overshadows security selection. In these uncertain times, we are retaining our approach of selecting companies with an investment horizon of three to five years. Certain business models could outperform in the short-term but companies who stick to well conceived business plans will win in the end.

Finally, we are maintaining a high cash position as we position the portfolio for greater market volatility over the next few months.

TOP-5 HOLDINGS

Securities	Weight
Transglobe Energy	4.5%
Garda World Secur	3.5%
Forzani Group Ltd	3.5%
Firstservice Corp.	3.3%
Aecon Group	3.2%

SECTOR ALLOCATION



BUYS AND SELLS

Additions	Sectors
Amedisys Inc. *	Health Care
Cline Mining Corp	Materials
Gammon Gold	Materials
Withdrawals	Sectors
Labopharm Inc.	Health Care
Quadra Mining Ltd	Materials
San Gold Corp	Materials
Wilmington Trust Crp *	Financial Services
Zions Bancorporation *	Finance Services

* U.S. stocks

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