QUARTERLY BULLETIN

AS AT JUNE 30, 2008

NATCAN CANADIAN EQUITY FUND

Management Approach Our approach favours in particular undervalued stocks so as to minimize portfolio risk and preserve capital. Although this approach is usually associated with value investing, we also add a growth component to the portfolio by selecting businesses with an attractive profit-boosting catalyst. By not restricting our approach to a single style, we are able to stage a solid performance in all market phases. Moreover, we offer real active management by not hesitating to maintain sharp deviations. We believe that sector rotations are important, regardless of financial conditions. When warranted, we tend to go against market trends by moving into stocks and sectors shunned by investors. We exercise discipline when buying and selling securities, and we are convinced that it is just as important to avoid disaster as it is to hold star performers for generating spirited gains.

MARKET OVERVIEW

While most equity markets around the world were down, the S&P/TSX Index closed the quarter with a robust performance of +9.09%. Once again there was an acute polarization of investors toward resources, namely oil and fertilizers. Canada mitigated the global pullback with the strong quarterly performance of Materials (+17.55%) and Energy (+22.88%), two sectors that represent over 50% of the Index. Health Care (-10.89%) and Consumer Discretionary (-10.74%) were the period's main laggards.

The winning sectors of the Canadian market are powered by two key trends: increasing prices for oil and for agricultural materials in the form of fertilizer ingredients. Crude oil notched its largest ever one-day increase on Friday June 6 with an $11 advance, thereby exceeding the price of an entire barrel at its late 1990s trough. Oil consumers are reacting to such high prices. Emerging countries have begun to reduce or abandon price subsidies; China mandated price increases while India abandoned certain subsidies. The Financial Times has reported that the value of oil subsidies in India had reached a level equivalent to the sums spent on education nationwide! One need only think of the fact that only wealthy individuals can afford automobiles in a country like India to realize how distorted the situation has become.

PERFORMANCE REVIEW

For the quarter, the portfolio generated a very positive absolute return on the back of good stock selection in Energy and Materials. Yet, we did not manage to outperform the Index as the absence of Potash Corporation of Saskatchewan and Canadian Oil Sands Trust along with our overexposure to WestJet, Astral, CIBC, and Magna weighed the portfolio down. Top contributors to relative performance this quarter were Agrium, Canadian Natural Resources, and EnCana.

PERFORMANCE

	3 months	YTD	1 year	4 years	10 years
Fund[1]	7.90%	1.18%	-1.53%	13.08%	12.03%
Index[2]	9.09%	5.99%	6.75%	16.63%	8.99%
Added value	-1.19%	-4.81%	-8.28%	-3.55%	3.04%

1 - Everywhere in this bulletin, "Fund" refers to the Natcan Canadian Equity Fund.
2 - Everywhere in this bulletin, "Index" refers to the S&P/TSX Index

PERFORMANCE ATTRIBUTION VS THE INDEX

Sectors	Attribution (basis points)	Securities	Attribution (basis points)
Cash	-9	**Positive**	
Energy	15	Agrium Inc.	149
Materials	73	CDN Natural Resources	49
Industrials	-51	EnCana Corporation	48
Consumer Disc.	-44	Petro-Canada	29
Consumer Staples	-33	Bombardier Inc.	28
Health Care	-2	**Negative**	
Financials	-58	Potash Corp. of Sask.	-167
Technology	-1	Canadian Oil Sands Trust	-47
Telecommunications	-18	WestJet Airlines	-41
Utilities	5	Astral Media Inc.	-29
Total	**-123**	CIBC Bank	-29

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

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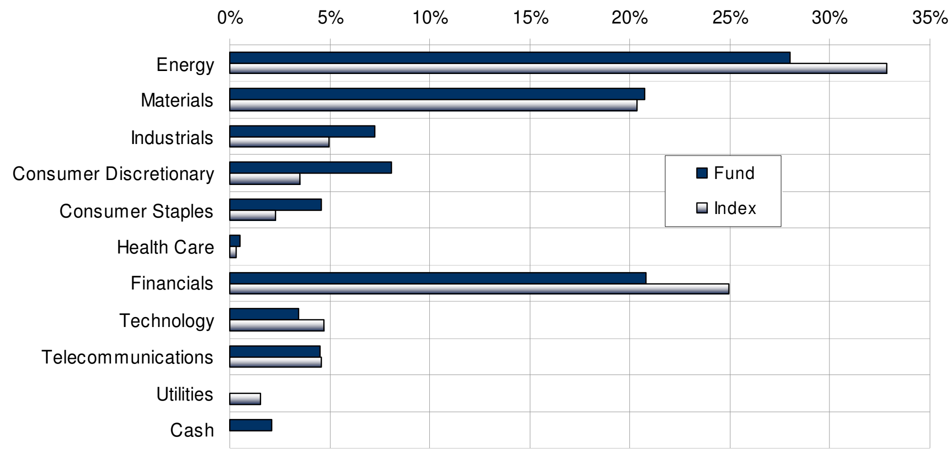
OUTLOOK AND STRATEGY

At the end of the quarter, we started to reduce our exposure to the Energy sector as we feel the paroxysm of the energy bubble is behind us. We also decreased the portfolio's weight in Financials. Conversely, we upped the portfolio's exposure to gold to take advantage of the only commodity that has not yet corrected upward since the beginning of the current inflationary trend.

We view the Canadian market as currently adjusting to a slowdown in the Financials and Consumer sectors as a result of the increasing price of oil and the sheer dominance of raw materials over global markets. With the price of oil escalating to unprecedented heights, emerging countries have begun to reduce or abandon price subsidies. Yet, prices continue to climb as investors are adamant to believe demand in emerging countries will keep moving forward.

The clear split in sector returns has strongly affected our Value style; investors have turned to Growth investing and shunned solid sectors and names in the process, despite sound fundamentals and cheap valuation levels. It is our opinion that this situation cannot last for much longer. U.S. consumers may in fact hold the key to oil's future prices. Constituting about half of domestic energy demand in the world's most voracious consumer of oil, their actions undertaken to curb consumption could well be the swing factor over the coming months. As such, we continue to build a portfolio of Value stocks which we believe will yield great returns in the long term, once this momentum cycle has ended.

SECTOR ALLOCATION



TOP FIVE HOLDINGS

Securities	Weight
EnCana Corporation	7.2%
Barrick Gold Corp.	5.3%
Canadian Natural Resources	4.8%
Agrium Inc.	4.7%
Manulife Financial Corp.	4.7%

MAIN DEVIATIONS VS THE INDEX

Overweight		Underweight	
Agrium Inc.	3.7%	Potash Corp. of Sask.	-4.8%
EnCana Corporation	2.8%	Research in Motion Ltd	-3.9%
Barrick Gold Corp.	2.7%	Canadian Oil Sands Trust	-1.7%
CIBC Bank	1.8%	Toronto Dominion Bank	-1.7%
CDN National Railway	1.8%	Bank of Montreal	-1.4%