

NATCAN U.S. EQUITY FUND

Management Approach Our approach is premised on the belief that wealth is created through long-term ownership of great companies. The team focuses its efforts on identifying secular themes and those companies poised to best take advantage of these opportunities. The portfolio maintains reasonable valuation ranges with a predominantly GARP (growth at a reasonable price) focus. However, consideration is given to both qualitative and quantitative attributes. We will implement positions that deviate from the benchmark, within prudent risk control guidelines. We believe sector rotation to be important, regardless of market conditions, but will always maintain holdings in at least eight of the ten S&P 500 sectors. The end result of our management style and commitment to reducing overall risk is a high quality portfolio of growth oriented U.S. equities.

MARKET OVERVIEW

Markets were extremely volatile during the first three months of 2008. While major themes in January and February were fears of a U.S. recession and turmoil in the credit markets, these subsided in March with renewed efforts by the U.S. Federal reserve in pumping liquidity into the banking system. The Fed implemented a 175 basis-point cut in its key benchmark rate in the quarter, and provided additional liquidity to major U.S. brokers, which helped prop up U.S. markets.

The S&P 500 Index increased by 3.8% in March, following declines in January and February. Overall for the quarter, the Index fell 6.5%. The worst sector performances were posted by Information Technology, Financials, and Telecommunications, while Consumer Staples, Materials, and Industrials returned the best performances.

PERFORMANCE REVIEW

The portfolio underperformed its benchmark during the first quarter of the year, mainly due to adverse stock picking in Technology (Apple), Financial Services (Goldman Sachs), Industrials (Stericycle), and Energy (Schlumberger).

Conversely, a good selection in Health Care (Novo Nordisk) and Utilities (Exelon) managed to partly mitigate the negative impact of market volatility.

PERFORMANCE

	3 months	YTD	1 year	4 years	10 years
Fund ¹	-8.26%	-8.26%	-13.21%	-0.10%	-2.52%
Index ²	-6.47%	-6.47%	-15.61%	-0.24%	0.20%
Added value	1.79%	1.79%	2.40%	0.14%	-2.72%

1 - Everywhere in this bulletin, the "Fund" refers to the Natcan U.S. Equity Fund.
2 - Everywhere in this bulletin, the "Index" refers to the S&P 500 Index.

PERFORMANCE ATTRIBUTION VS THE INDEX

Sectors	Attribution (basis points)	Securities	Attribution (basis points)
Cash	16	Positive	
Energy	-51	Google Inc.	45
Materials	-2	Unitedhealth Grp Inc.	25
Industrials	-60	Novo Nordisk As	22
Consumer Disc.	-5	Intel Corp.	20
Consumer Staples	-23	CVS Caremark Corp.	16
Health Care	51	Negative	
Financials	-56	Apple Inc.	-80
Technology	-82	Bunge Limited	-42
Telecommunications	12	Stericycle Inc.	-39
Utilities	31	Prudential Finl	-35
Total	169	Amern Intl Group Inc.	-30

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

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STRATEGY

Our strategy remains generally defensive with overweights in high-quality, large issues and a focus on economically resilient sectors, such as Consumer Staples and Health Care. The portfolio remains underweight Financials and Consumer Discretionary. We have however been narrowing the magnitude of this deviation and will continue to gradually do so as the risk/reward ratio becomes more balanced.

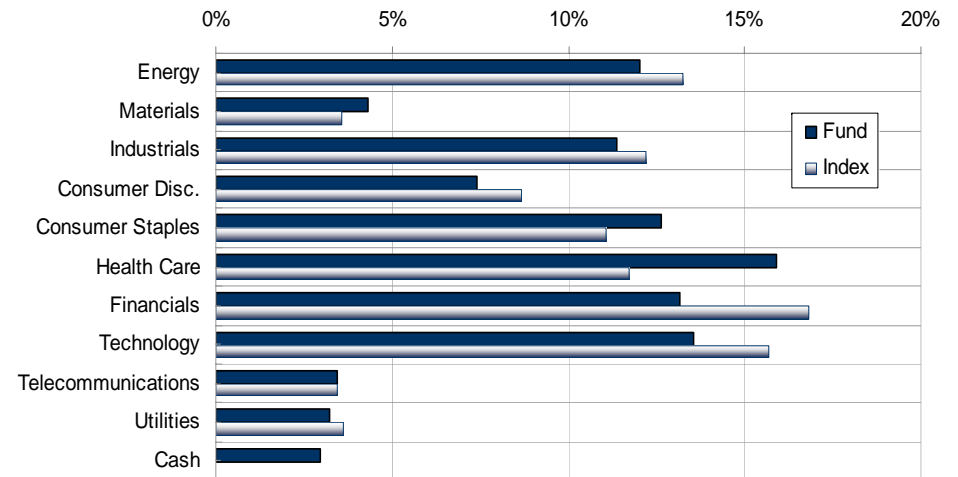
We expect economic growth to remain sub-par through at least the first half of 2008 to the detriment of more cyclically exposed areas, consumer spending, and overall earnings. Nonetheless, much has been achieved in improving the credit crisis, which warrants a less negative view on the sectors most impacted: Financials and Consumer.

During the quarter, we sold our positions in American Express, Citigroup, and Procter & Gamble, and reduced the weight of Apple, Standard Chartered, AIG, Schlumberger, Adobe, Stericycle, and Exxon. We used the proceeds to initiate positions in Air Products, Celgene, JP Morgan, Mattel, Merck, Merrill Lynch, Oracle, Teva, and XTO Energy, and to increase our exposure to Novo-Nordisk, General Electric, Bank of America, and Johnson & Johnson.

TECHNICAL CHARACTERISTICS

	P/E	Div.	Net Margin	ROE	Growth Pot.	Net Debt/Equity
Fund	19.0X	1.6%	11.0%	21.0%	14.6%	26.3%
Index	17.7X	2.0%	7.5%	18.4%	11.9%	40.5%

SECTOR ALLOCATION



TOP TEN HOLDINGS

Securities	Weight
Exxon Mobil	5.4%
Johnson & Johnson	3.4%
CVS Caremark Corp.	3.3%
Exelon Corp.	3.2%
Philip Morris Intl	3.1%
Microsoft Corp.	3.0%
AT&T Inc.	3.0%
United Technologies	2.9%
Prudential Financial	2.8%
Stericycle Inc.	2.6%

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