

## NATCAN INTERNATIONAL EQUITY FUND

**Management Approach** Company evaluation is at the core of our strategy as this is the source of our value added. Not all companies are created equal. We only buy the best business models, firms with a lasting competitive edge that will surpass their peers over the long run (3-5 years). We believe that the best strategy is to buy quality and avoid speculative issues. We favor sectors that display consistent growth and lower volatility over time. We do not speculate and as such, we avoid highly volatile sectors or stocks. Part of our investment process consists of creating a universe of companies that meet our criteria for investment. This pre-selected universe is the cornerstone of our “bottom-up” approach and is indicative of the emphasis we put on security selection (what we believe is our source of value added). Our typical investment horizon is 4 to 5 years.

### MARKET OVERVIEW

International markets declined 5.3% in C\$ for the quarter. Driven by strong increases in many base and soft commodities, the Materials sector performed best, followed by Consumer Staples, and Health Care. Worst sectors were Telecommunications, Information Technology, and Energy.

The first quarter of 2008 was marked by severe fluctuations as markets tried to evaluate the impacts of many factors, including continued massive asset write-downs by commercial and investment banks, aggressive rate cuts, more generous access to financing from the Federal Reserve, the bailout of Bear Stearns, a depreciating U.S. currency, and a run-up in base and soft commodities.

### PERFORMANCE REVIEW

The Fund performed broadly in line with the benchmark with -5.6%. Despite strong stock selection in Health Care, Energy, and Materials, negative contributions from Utilities and Consumer Staples harmed performance.

Our top contributors were Kurita Water, on the back of increasing awareness that water is a rare resource, Syngenta, benefiting from a run-up in soft-commodity prices, and Nestle, taking advantage of the increasing pricing power of its strong brands. Conversely, bottom performers were Veolia and Siemens.

### PERFORMANCE

	3 months	YTD	1 year	4 years	10 years
Fund <sup>1</sup>	-5.55%	-5.55%	-8.92%	5.66%	5.43%
Index <sup>2</sup>	-5.30%	-5.30%	-13.46%	6.92%	2.77%
Added value	-0.25%	-0.25%	4.54%	-1.26%	2.66%

<sup>1</sup> - Everywhere in this bulletin, the “Fund” refers to the Natcan International Equity Fund.  
<sup>2</sup> - Everywhere in this bulletin, the “Index” refers to the MSCI World Index.

### PERFORMANCE ATTRIBUTION VS THE INDEX

Sectors	Attribution (basis points)	Securities	Attribution (basis points)
Energy	41	<b>Positive</b>	
Materials	14	Kurita Water Inds	61
Industrials	9	Syngenta	54
Consumer Disc.	-2	Dexia	31
Consumer Staples	-41	Shimano Inc.	23
Health Care	45	Nestle SA	22
Financials	-17	<b>Negative</b>	
Technology	-28	Veolia Environment	-65
Telecommunications	41	Siemens AG.	-44
Utilities	-77	Amern Intl Group Inc.	-43
Total equities	-15	QBE Insurance Group	-42
Foreign exchange/Liquidity	-10	Esprit Holdings	-41
<b>Total</b>	<b>-25</b>		

Sector attribution includes sector allocation and stock selection. Please note MSCI EAFE data is gross and estimated

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## STRATEGY

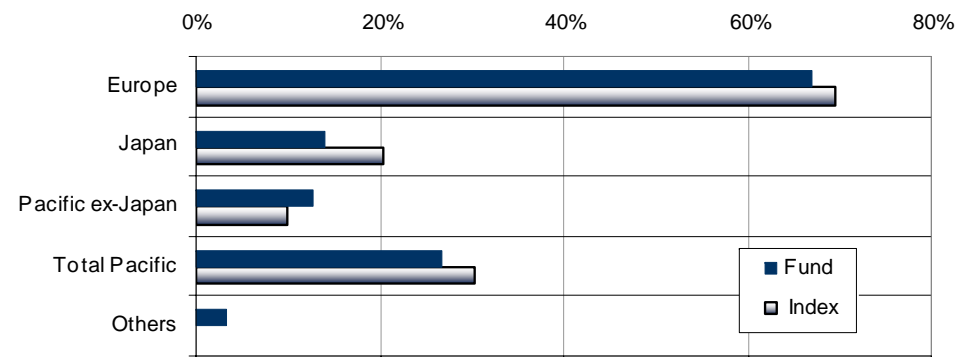
The Fund remains defensively positioned with its strongest overweights in Consumer Staples and Health Care as there are signs that economic weakness in the U.S. and the effect of a strong euro is taking its toll on economic growth. In such an environment, we opt for companies that do not rely on overall economic growth to increase their earnings.

During the quarter, we decreased the portfolio's underweight in Financials as there are signs that the joint effort of central banks to restore credit markets is beginning to make an impact, and some of the most leveraged players are now in safer hands or managed to refinance their balance sheets. As signs increase that the worst of the credit turmoil is behind us, we are likely to further decrease this underweight in Financials.

## TECHNICAL CHARACTERISTICS

	P/E	Div.	Net Margin	ROE	Growth Pot.	Net Debt/Equity
Fund	15.8X	2.5%	10.2%	21.2%	12.7%	34.5%
Index	15.8X	2.7%	7.3%	17.0%	9.8%	40.2%

## GEOGRAPHICAL ALLOCATION



## TOP TEN HOLDINGS

Securities	Weight
BG Group	3.4%
Nestle SA	3.4%
Syngenta	3.2%
Nintendo	2.8%
East Japan Railway	2.8%
Kurita Water	2.7%
Veolia Environnement	2.7%
Novo-Nordisk AS	2.6%
E.On Ag	2.5%
Vodafone Group	2.3%

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