QUARTERLY BULLETIN

AS AT MARCH 31, 2008

NATCAN SMALL CAP EQUITY FUND

Management Approach We favour a growth-oriented style, which is particularly appropriate for the management of small caps. However, 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 selections remain 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

The first quarter of 2008 was marked by several influential elements. Sector performances were inconsistent: while resources benefited from the depreciation of the U.S. dollar and inflationary pressures, the more traditional sectors reflected the current economic slowdown instead. Furthermore, depleting liquidity in sectors investors shunted also explained some of the setback. In such an environment, the Canadian small-cap market's quarter performance was negative, though superior to that of the majority of its global peers. However, Canadian small-cap equities did not fare as well as their large-cap counterparts.

In a context of economic uncertainty, income trusts allowed Canadian indices that included them to significantly outperform those that did not. As such, the S&P/TSX Small-Cap Index (including trusts) posted a return of -4.1%, exceeding its Equity counterpart by 2.9%. Energy was the only sector to end the quarter in positive territory. Several sectors, including Consumer Discretionary, Industrials, Financial Services, and Technology, have posted double-digit losses since the beginning of the year.

PERFORMANCE REVIEW

For the quarter, the portfolio underperformed its benchmark. Overweights in Industrials, Consumer Discretionary, and Technology however harmed performance. Several of our top holdings in these sectors experienced major setbacks, despite announcing results that exceed expectations. Securities that cost us the most points were essentially victims of a temporary liquidity crunch. Jointly, they account for over 80% of the disparity between our year-to-date return and that of the Index.

The portfolio nonetheless benefited from the strong performance of its Energy holdings, though to a lesser extent than the Index, given its underweight in the sector.

PERFORMANCE

	3 months	YTD	1 year	4 years	10 years
Fund[1]	-9.29%	-9.29%	-18.15%	4.38%	10.53%
Index[2]	-4.05%	-4.05%	-8.57%	9.34%	8.42%
Added value	-5.24%	-5.24%	-9.58%	-4.96%	2.11%

1 – Everywhere in this bulletin, the "Fund" refers to the Natcan Small Cap Equity Fund.
2 – The index data in the table on the back of this bulletin are those of a combined index as calculated by Natcan (BMO Small Cap Index until August 2007 and S&P/TSX Small Cap Index from August to December 2007).

PERFORMANCE ATTRIBUTION VS THE INDEX

Sectors	Attribution (basis points)	Securities	Attribution (basis points)
Cash	-24	**Positive**	
Energy	-47	Duvernay Oil Corp.	73
Materials	-19	Grey Wolf Inc.	49
Industrials	-223	Cyries Energy	45
Consumer Disc.	-164	Comstock RES Inc.	44
Consumer Staples	27	Fronteer Dev. Group	34
Health Care	5	**Negative**	
Financial Services	-42	Northstar Aerospace	-101
Technology	-75	Cangene Corporation	-96
Telecommunications	0	Heroux-Devtek Inc.	-80
Utilities	20	Travelcenters of America	-76
Total	**-542**	Aecon Group	-76

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

For more information about Natcan's Funds : 514-871-7600 or info@natcan.com

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STRATEGY

Overall, the strategy remains unaltered. The portfolio is underweight in natural resources; we believe a weight of approximately 30% is appropriate to achieve good portfolio diversification. These sectors account for 55% of the benchmark, but we regard as highly speculative the replication of this position. The top overweight positions remain in the Industrials, Technology, Health Care, and Consumer Discretionary sectors. Contrary to Canadian small-cap indices, the portfolio is well exposed to these sectors.

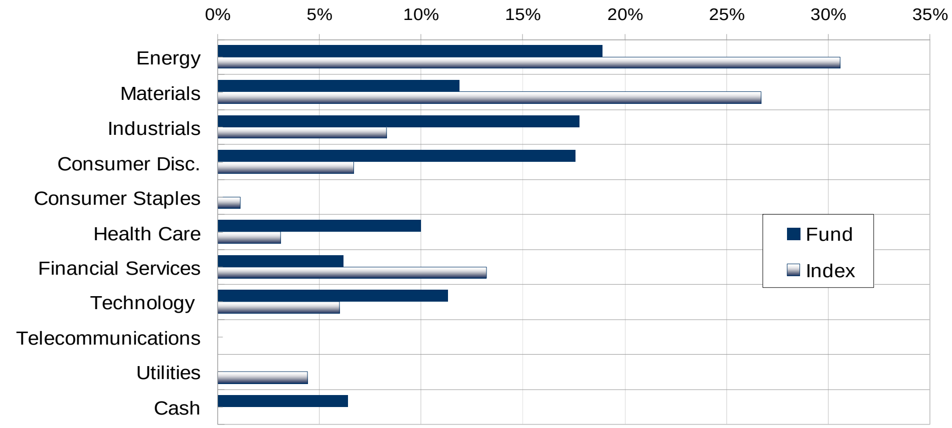
Our top holdings are now trading at very low multiples, despite excellent balance sheets and good prospects. We believe this market liquidity crunch is only temporary, and we will therefore use this downward trend to add to our existing stocks or initiate new positions. Proceeds from the sale of our stocks and other profit-taking opportunities will be redistributed over the coming quarter.

First quarter result announcements will be a good opportunity for many companies to revise stock market expectations downward. Several excellent companies will then trade at very interesting prices. In fact, several non-resource small cap names have already started to trade at discount rates. Amid such an environment, it would not be surprising to see the M&A movement regain some strength, at least in the small cap universe, before the end of 2008.

TOP 5 HOLDINGS

Securities	Weight
Forzani Group Ltd	4.0%
Open Text Corp.	4.0%
Heroux-Devtek Inc.	3.9%
Cangene Corporation	3.9%
Aecon Group	3.8%

SECTOR ALLOCATION



FUND'S BUY AND SELLS

Additions	Sectors
Proex Energy	Energy
Iteration Energy	Energy
Galleon Energy Inc.	Energy
Peak Gold Ltd	Materials
Cogeco Cable Inc.	Consumer Discretionary
SXC Health Solutions	Health Care
UCBH Holdings Inc.	Financial Services

Withdrawals	Sectors
Cyries Energy[1]	Energy
Medisys Health Group	Health Care
Celestica Inc.	Technology
Ethan Allen Interior	Consumer Discretionary
Security Capital ASR	Financial Services
Realnetworks Inc.	Technology
Knot Inc.	Technology

[1]*Acquired by Iteration Energy*

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