

# Quarterly Bulletin as at March 31, 2009

Natcan U.S. Equity Fund

**INVESTMENT APPROACH:** We are bottom up stock pickers, searching for secular growth opportunities that are reasonably priced. Preference is given to sectors offering sustainable growth and low volatility. The managers seek out and invest in the best business models globally: companies generating stable and persistent earnings growth, expanding and above-average profit margins, and high returns on capital. This combination of attractive characteristics provides a margin of safety and a cushion against a host of inevitable economic and business uncertainties.

## MARKET OVERVIEW

U.S. equity markets began the year 2009 where they left off 2008: on a down note that lasted throughout January, February and the first week of March. In January, investors reacted to mediocre earnings announcements and continued economic malaise, which heightened during February with a string of negative reports that included worse than expected GDP, consumer sentiment and housing data.

Meanwhile, the U.S. government's stimulus package failed to quell investor fears about a total collapse of the financial system with companies in the sector continuing to seek additional aid. Consequently, the financial sector continued to sell off. Renewed hope resurfaced in March, and stocks staged a rally following comments from Citigroup about it having its best quarter since 2007. This spurred speculation the worst of the banking crisis is over, and was promptly followed by strong economic news, namely in retail sales. This prompted bullish investors to add to their positions, and forced the covering of short positions, which pushed prices further up and led to an astonishing come back that lifted the entire index to 7.82%.

For the quarter, the S&P 500 Index ended down 7.81%. Investor buying of early cyclicals lifted the fortunes of the Information Technology sector, and inflation hedging solidified buying of Materials shares.

## PERFORMANCE REVIEW

The Fund outperformed its benchmark by a wide margin, mainly as a result of its underweight in Financials. Additionally, returns were enhanced by selection within Industrials, Health Care, Materials, Energy, and Financials, despite adverse security selection within the Information Technology, Consumer Staples, and Telecommunications sectors.

## PERFORMANCE (% - CAD)

	3 months	YTD	1 year	4 years	10 years
Fund <sup>1</sup>	-6.08	-6.08	-21.97	-6.22	-5.70
Index <sup>2</sup>	-7.81	-7.81	-23.93	-6.45	-4.73
Added value	1.73	1.73	1.96	0.23	-0.97

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

## PERFORMANCE ATTRIBUTION VS INDEX

Sectors	Attribution (basis points)	Stocks	Contribution (basis points)
Energy	27	<b>Positive</b>	
Materials	41	General Electric	73
Industrials	61	Bank of America Corp.	54
Consumer Disc.	-11	Allergan Inc.	37
Consumer Staples	-11	Apple Inc.	36
Health Care	67	Citigroup Inc.	29
Financials	76	<b>Negative</b>	
Technology	-48	Aflac Inc.	-86
Telecommunications	-19	International Business MCHN	-32
Utilities	1	Lockheed Martin Corp.	-31
Total Equities	184	Ace Limited	-31
Foreign Exchange/Liquidity	-10	Waste Mangement Inc.	-31
<b>Total</b>	<b>174</b>		

Note: Attribution includes sector allocation and stock selection.

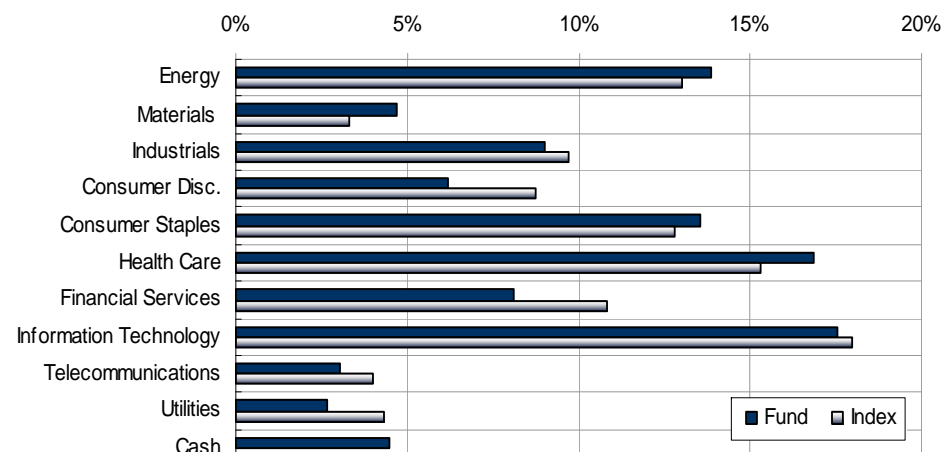
## Natcan U.S. Equity Fund as at March 31, 2009

### OUTLOOK AND STRATEGY

The portfolio remains defensively positioned, although we have gradually added to our cyclical exposure in areas where valuations have become attractive. The largest overweight position remains in Health Care, followed by Materials and Energy sectors. We are maintaining the underweight position in Financials, as we do not believe that the bottom in credit weakness and asset write-downs has been reached. During the quarter, we initiated positions in Archer Daniels Midland, Biogen, CME Group, Ericsson, Fluor, Freeport Mc-Moran, Goldman Sachs, Petroleo Brasileiro, and Taiwan Semiconductor and liquidated positions in Aflac, Automatic Data Processing, Flir Systems, Genentech, Marsh & McLennan, and Union Pacific.

We expect 2009 to remain subdued and economic prospects to begin to stabilize and improve in 2010, in reaction to the Federal Reserve's actions to cut interest rates to practically zero and deploy quantitative measures to revive credit and bring down market interest rates. Nonetheless, equity markets should discount a potential recovery and rise prior to the actual occurrence. As such, we will continue to increase our cyclical exposure over the next few quarters and reduce our defensive positioning.

### SECTOR ALLOCATION



### TECHNICAL CHARACTERISTICS

	P/E	Div.	Net Margin	ROE	Growth Pot.	Net Debt/Equity
Fund	12.9x	2.4%	8.1%	18.3%	12.7%	33.9%
Index	11.1x	3.3%	4.7%	17.3%	11.0%	47.1%

### TOP 10 HOLDINGS

Securities	Weight
Exxon Mobil Corp.	6.9%
Microsoft Corp.	3.5%
Chevron Corp.	3.4%
Johnson & Johnson	3.3%
Wal Mart Stores Inc.	3.2%
Apple Inc.	3.1%
AT&T Inc.	3.1%
Philip Morris Intl	2.9%
JPMorgan Chase & Co	2.7%
Oracle Corp.	2.6%

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