

Quarterly Bulletin as at March 31, 2009

Natcan Canadian Bond Fund

INVESTMENT APPROACH: We are active managers who apply a quantitative approach based on macroeconomic analysis where the emphasis is placed on the management of a reward/risk equation. Our objective is to maintain an asymmetry of expected returns versus the underwritten risks. Our management approach is a three-step process. The first step consists in a strategic replication of the benchmark in order to reduce tracking errors and to control the portfolio's risk. We select specific securities in order to capture liquidity and complexity premiums accessible on the market without adding credit or duration risks. Finally, the third and last step focuses on performing tactical management deviations relative to the benchmark.

MARKET OVERVIEW

For the quarter ended March 31, 2009, the DEX Universe Bond Index returned 1.52%, as investors searched for safe haven investments, central banks around the world implemented zero interest rate monetary policies, and the United Kingdom and the United States announced they would purchase government securities to help reopen credit markets.

Among the various categories of the fixed-income universe, corporate bonds posted the best performance of the quarter, with a return of 3.48%, mainly due to the profitability of Canadian banks and investors' renewed appetite for debt securities. In fact, since the end of December 2008, investors have been somewhat reassured by the positive news stemming from the central bank and the U.S. government. As such, they have once again started to show interest in riskier bonds that offer higher returns than government bonds.

Another highlight of the quarter was the loss by GE of its coveted AAA debt rating after a 53-year tenure at the top of the credit pyramid. Standard and Poor's downgraded GE in March. Fitch followed suit a few days later, downgrading Warren Buffet's Berkshire Hathaway. Few investors realize GE is the sixth largest U.S. lender. As such, its fate, like that of insurance-dominated Berkshire Hathaway, depends on the prospects for financial services in the United States.

PERFORMANCE ANALYSIS

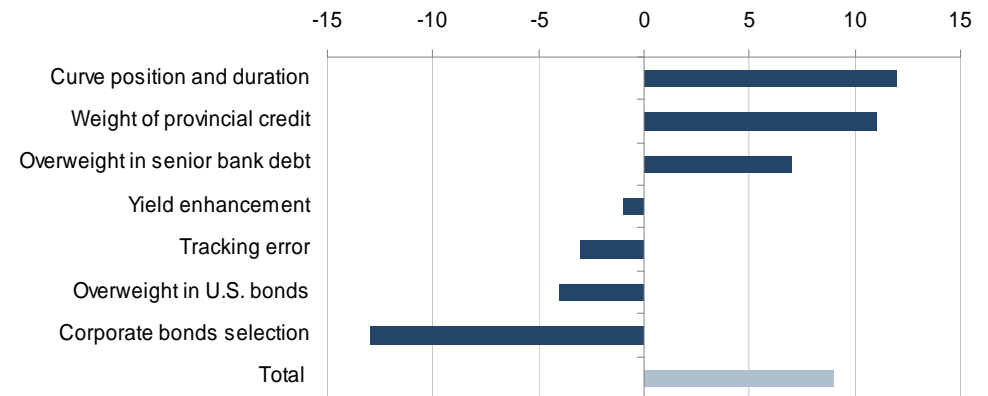
With a return of 1.60%, the Fund slightly outperformed its benchmark this quarter. The value was mainly derived from its duration, its positioning on the curve and the overweight position in provincial bonds. The strategy of overweighting short-term bank debt was also beneficial, generating seven basis points. However, the exposure to corporate bonds and the 30-year Canada-US position mitigated growth.

PERFORMANCE (%)

	3 months	YTD	1 year	4 years	10 years
Fund ¹	1.61	1.61	5.03	5.12	6.05
Index ²	1.52	1.52	4.93	5.26	6.07
Added value	0.09	0.09	0.10	-0.14	-0.02

1 - Everywhere in this bulletin, "Fund" refers to the Natcan Canadian Bond Fund.
2 - Everywhere in this bulletin, "Index" refers to the DEX Universe Bond Index.

PERFORMANCE ATTRIBUTION VS INDEX



Natcan Canadian Bond Fund as at March 31, 2009

OUTLOOK AND STRATEGY

During the quarter, we gradually increased the portfolio's exposure to short-term (5 years) provincial securities, and sold Government of Canada 30-year bonds to purchase U.S. government securities with the same maturity (while hedging currency risk). The value of these securities could rise significantly if the apparent stabilization of financial markets observed in March weakens. In the final weeks of March, we began to increase the weighting of corporate securities.

As at March 31, 2009, the portfolio was overweight in the 5-15 year sectors of the curve and underweight in the 2 and 30 year sectors. We expect the Bank of Canada to join other central banks in adopting zero or near-zero interest rate monetary policies during the month of April. The term structure of bond rates is currently very steep; we therefore see an opportunity to overweight intermediate maturities.

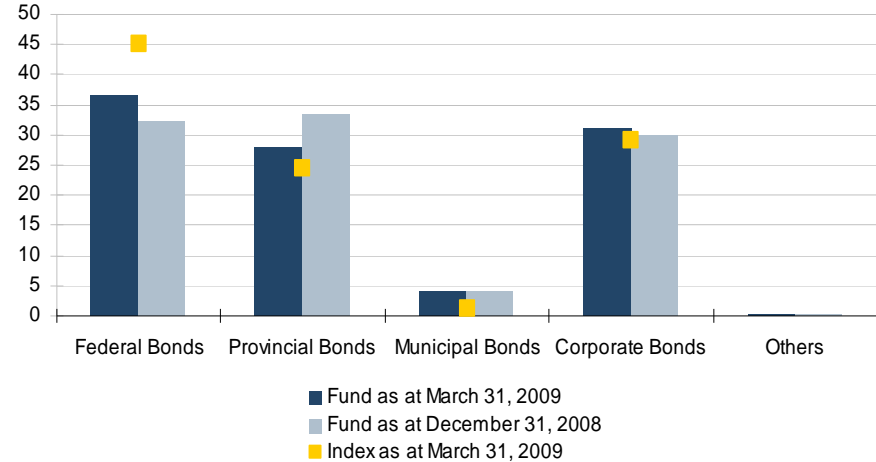
The portfolio remains overweight in provincial bonds. We believe provincial bonds are an excellent vehicle for capturing the liquidity premium. However, we are aware that the deficits and infrastructure programs announced by the provinces will markedly increase their financing needs. We therefore prefer to concentrate the overweight in the short end of the curve (5 years or less) in order to benefit from a rapid convergence of spreads and reduce exposure to spread volatility.

Uncertainty remains very high. We are analyzing economic data to identify signs of stabilization or deterioration. Governments are responding to the rapid and severe deterioration in economic conditions by implementing exceptionally strong measures. It seems very unlikely to us that the measures implemented are appropriately mixed. If the actions taken turn out to be excessive, inflation risks will rise; however, if they prove to be insufficient, the crisis could deepen. Caution therefore remains essential.

MODIFIED DURATION

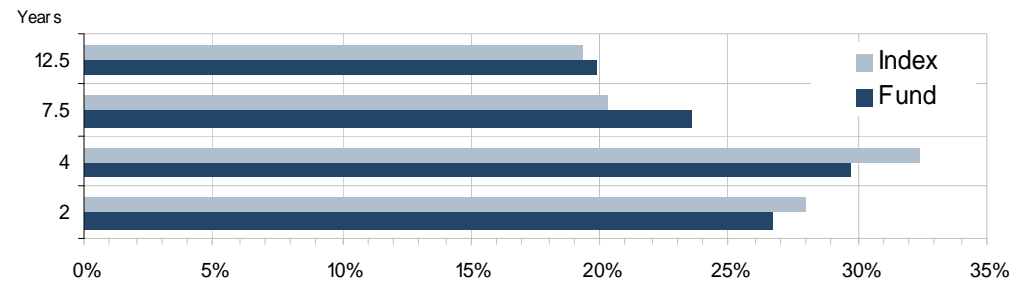
	As at March 31, 2009	As at December 31, 2008
Fund	6.18 years	6.14 years
Index	5.99 years	6.18 years

SECTOR ALLOCATION



Note: Most Supranational Agency bonds issued in Canadian currency are considered under Federal bonds. A small percentage can also be found under Corporate bonds.

DURATION DEVIATIONS (%)



Note: Duration points are interpolated between these four points. Shorter and longer bonds are placed in the 2 and 12.5 buckets respectively.

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