

Quarterly Bulletin as at March 31, 2009

Natcan Small Cap Equity Fund

INVESTMENT APPROACH: We favour a growth-oriented style, which is particularly appropriate for the management of small caps. 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 selection remains 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 Canadian small-cap equity market ended the quarter on a positive note, posting a strong 3.63% return in March alone, on the back of a strong rally in stock markets around the world. After a very difficult start to the year, this helped the S&P/TSX SmallCap Index retrieve some of the value lost in January and February, ending the quarter down 3.68%. Yet, this was not sufficient to outperform their larger peers, as the S&P/TSX Index rose an impressive 7.79% in March, thereby ending the quarter with a loss of 2.00%. Yet, Canadian micro-caps outperformed most Canadian indices this past quarter, increasing by over 20% during the period. North-American volatility indices showed some restraint in the last few weeks of the month, and a return in investors' appetite for risk brought in liquidity that benefited small and micro caps toward the end of the quarter.

The Materials sector won best performer of the quarter, followed by Health Care and Technology, while Industrials, Energy, Consumer Discretionary, and Financial Services were the main laggards.

PERFORMANCE OVERVIEW

For the quarter, the Fund outperformed the S&P/TSX SmallCap Index by a large margin. This value added is mainly the result of shrewd stock selection across most sectors, which allowed us to counter the negative impact of the portfolio's underweight in Materials and overweight in Consumer Discretionary since the beginning of the year.

On an individual stock basis, the top positive contributors were Mediagrif, Forzani, Héroux-Devtek, Northgate and Transglobe Energy, while Cangene, Labopharm Transat, Great Canadian Gaming, and Nuvista lagged.

PERFORMANCE (%)

	3 months	YTD	1 year	4 years	10 years
Fund ¹	3.72	3.72	-33.23	-6.85	7.56
Index ²	-3.68	-3.68	-45.28	-8.06	4.54
Added value	7.40	7.40	12.05	1.21	3.02

1 - Everywhere in this bulletin, "Fund" refers to the Natcan Small Cap Equity Fund.

2 - Everywhere in this bulletin, "Index" refers to a combined index as calculated by Natcan (BMO Small Cap Index until August 2007, and S&P/TSX SmallCap Index since then).

PERFORMANCE ATTRIBUTION VS INDEX

Sectors	Attribution (basis points)	Securities	Attribution (basis points)
Cash	7	Positive	
Energy	236	Mediagrif Interact.	151
Materials	-180	Forzani Group Ltd.	122
Industrials	125	Héroux-Devtek Inc.	109
Consumer Disc.	235	Northgate Minerals	100
Consumer Staples	25	Transglobe Energy	57
Health Care	-98	Negative	
Financial Services	91	Cangene Corporation	-73
Technology	303	Labopharm Inc.	-64
Telecommunications	0	Transat A.T. Inc.	-57
Utilities	-14	Great CDN Gaming	-47
Total	730	Nuvista Energy Ltd.	-44

Note: Attribution includes sector allocation and stock selection.

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OUTLOOK AND STRATEGY

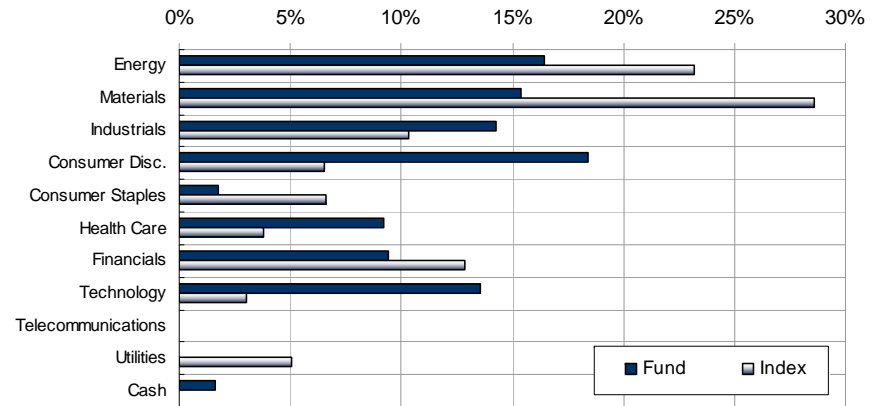
During the quarter, we slightly reduced the underweight in Energy by initiating positions in two producers, Tristar Oil&Gas and Storm Energy. We also purchased shares of Hudbay Minerals and Consolidated Thompson at prices below net cash. Although we remain biased toward this sector amid the current environment, we are convinced that these companies' balance sheets will allow them to subsist for several more years in such a market. Within the financial space, we added Firstservice, a service provider to residential communities in North America. The firm's financial health as well as the fact that it is an international leader in its field suggest good growth potential over the mid and long term.

We remain cautious in our stock picking strategy as we believe volatility will remain high for some time. Against this backdrop, stock markets should fluctuate swiftly and abruptly. It is impossible to accurately predict when the global economy will get back on its feet, but it will likely be preceded by an influx of financial liquidity. History shows that micro and small-cap companies are the first ones to benefit from more liquidity, as risk taking (which has been nonexistent for nine months) gradually increases. The small-cap universe could therefore outperform its larger peers when the rally will have officially begun and we will have seen the bottom of this global recession.

TOP-5 HOLDINGS

Securities	Weight
Forzani Group Ltd	4.6%
Uni Select	4.5%
Mediagrif Interact	4.0%
Cangene Corporation	3.9%
Winpak Ltd.	3.5%

SECTOR ALLOCATION



BUYS AND SELLS

Additions	Sectors
ADC Telecommunications	Technology
Calfrac Well Service	Energy
Cons Thmpsn Iron Mns	Materials
Fifth Third Bancorp	Financials
Firstservice Corp.	Financials
Hudbay Minerals	Materials
Osisko Mining Corp.	Materials
Progress Energy Res ¹	Energy
Storm Explorations	Energy
Tristar Oil&Gas	Energy
Withdrawals	Sectors
Amerigo Resources	Materials
Open Text Corp.	Technology
Proex Energy ¹	Energy
SXC Health Solutions	Health Care
UEX Corporation	Energy
Verenex Energy ²	Energy

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