

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

In the US the S&P 500 notched a strong performance with 1.86% for the quarter. Currency movements once again were very significant as the Canadian dollar continued on its upward trend. The US dollar return on the S&P 500 was an impressive 5.39%. The strongest performing sectors were Industrials (9.29%), Financial services (7.43%), Consumer Discretionary (6.74%) and Consumer Staples (2.28%). There again Telecommunications (-7.52%) and Utilities (-6.77%) finished at the bottom of the performance scale.

Benefiting from the underlying strength of Emerging economies and the performance enhancing effect of government stimulus programs the global economy has demonstrated it is growing firmly again. The Financial Times of London recently summarized the fact manufacturing output had grown at close to record rates in the US, China and Europe during the first quarter. The long awaited bottom on job losses in the US appears to have been cleared with 162,000 jobs created in March of which at least 40,000 came from the private sector indicating that companies may have begun to rebuild both product inventories and payrolls. A third confirmation of the progress made by the economy comes from the fact nominal consumer spending exceeded the peak of 2008 in the US and recent results from leading retailers attest to an emerging return of the consumer.

PERFORMANCE ANALYSIS

The Fund had a challenging quarter, an outcome that was mainly attributable to security selection.

The Industrials and financial services sectors rallied strongly during the quarter, but security selection impacted returns negatively, and the Fund was unable to keep up with the strong advance. Detractors from performance were Bank of America, Petroleo Brasileiro, Microsoft, and Talisman.

On the other hand, the Fund did benefit from its exposure to Time Warner Cable, which proved the best positive contributor, followed by Apple and CVS.

PERFORMANCE (% - CAD)

	3 months	YTD	1 year	4 years	10 years
Fund ¹	1.10	1.10	10.03	-5.75	-5.17
Index ²	1.86	1.86	20.62	-3.81	-4.12
Added Value	-0.76	-0.76	-10.59	-1.94	-1.05

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	-24	Positive	
Materials	0	Time Warner Cable	51
Industrials	-29	Apple Inc.	26
Consumer Disc.	-8	CVS Caremark Corp.	22
Consumer Staples	19	Google Inc.	17
Health Care	-3	Honeywell Intl Inc.	17
Financials	-115	Negative	
Technology	53	Banco Santander SA	-38
Telecommunications	4	Telefonica SA	-22
Utilities	13	Petroleo Brasileiro	-21
Total Equities	-90	Banco Santander BR	-20
Foreign Exchange/Liquidity	17	Talisman Energy Inc.	-16
Total	-73		

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

Natcan U.S. Equity Fund as at March 31, 2010

OUTLOOK AND STRATEGY

The world economy is experiencing a recovery primarily driven by emerging economies and capital spending. Industrials and Information Technology look promising given strong free cash flow generation, potential for operating leverage and financial discipline. During the quarter, new positions were initiated, namely Ross Stores and Aflac.

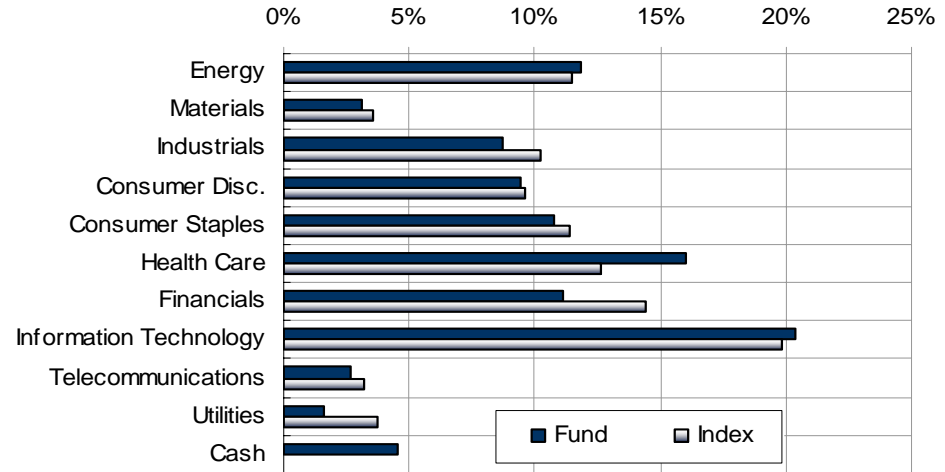
Our focus continues to be on strong free cash flow generators, as their competitive edge increases in a credit restrained world, which allows them to invest in R&D, increase planned buy-back programs and/or acquire competitors as others struggle to survive.

At present such opportunities are found within the Technology sector, as well as in the Industrials given strong free cash flow generation, potential for operating leverage and financial discipline. As the valuations of cyclical companies shows signs of softening, we expect high free cash flow generators to outperform.

TECHNICAL CHARACTERISTICS

	P/E	Div.	Net Margin	ROE	Growth Pot.	Net Debt/Equity
Fund	17,0x	1,4%	9,8%	19,1%	14,5%	25,0%
Index	18,5x	1,7%	5,7%	14,9%	10,2%	38,0%

SECTOR ALLOCATION



TOP 10 HOLDINGS

Securities	Weight
Apple Inc.	5,4%
Microsoft Corp.	4,6%
General Electric Co	3,4%
Wells Fargo & Co	3,4%
Hewlett Packard Co	3,3%
JP Morgan Chase & Co	3,1%
Philip Morris Intl	3,1%
Exxon Mobil Corp.	3,0%
CVS Caremark Corp.	2,8%
Oracle Corp.	2,7%

This bulletin is intended for your private information. The information and opinions herein are provided for informational purposes only, and are subject to change based on market and other conditions. The views expressed should not be relied upon as the basis for your investment decisions. The performance returns are calculated gross of management fees, and net of administrative and transaction fees. Past performance is not necessarily indicative of future performance. This document is not and should not be construed as a solicitation or offering of units of any fund or other security in any jurisdiction. No part of this publication may be reproduced in any manner without the prior written permission of Natcan Investment Management Inc. All market index returns presented in this commentary are expressed in Canadian dollar terms and were provided by Natcan, Thomson Reuters, PC-Bond (a business unit of TSX Inc.), and Standard & Poor's (a division of The McGraw-Hill Companies Inc.), unless otherwise specified.

