

Quarterly Bulletin as at March 31, 2010

INVESTMENT APPROACH: Our approach favours in particular undervalued stocks so as to minimize portfolio risk and preserve capital. Although this approach is usually associated with value investing, we also add a growth component to the portfolio by selecting businesses with an attractive profit-boosting catalyst. By not restricting our approach to a single style, we are able to stage a solid performance in all market phases. Moreover, we offer real active management by not hesitating to maintain sharp deviations. We believe that sector rotations are important, regardless of financial conditions. When warranted, we tend to go against market trends by moving into stocks and sectors shunned by investors. We exercise discipline when buying and selling securities, and we are convinced that it is just as important to avoid disaster as it is to hold star performers for generating spirited gains.

MARKET OVERVIEW

The S&P/TSX Index registered a second strong monthly performance in a row with a return of 3.81% for the month (3.14% for the first quarter). All sectors had positive performance with the exception of Energy (-1.99%). HealthCare did the best at 10.33% followed by Financial Services (8.10%). The lagging sectors were Consumer Staples (0.16%) and Materials (0.29%).

The divergence between Canadian and international sector trends in March is so significant that further comment is justified. Let's start with HealthCare. It is by far the smallest sector in the index with a weight of 0.40 % at March end. During the period a rather obscure firm by the name SXC Health experienced a 30% run up while Biovail appreciated 9.75% thus propelling the sector upward. The absence of a broad list of constituents explains how the Canadian Healthcare sector performance could run counter to the international picture. Of greater import is the relative underperformance of Canada's Materials sector.

This is explained by poor returns from gold stocks which represent a larger relative share of the sector's total than elsewhere around the world.

PERFORMANCE ANALYSIS

The portfolio outperformed its benchmark index during both the bear market and the recovery; It also delivered added value for the quarter. Stock selection played a key role in the portfolio's performance.

More specifically, a portion of the added value is attributable to the overweight in the Consumer Discretionary sector - notably Magna, Linamar and Quebecor.

PERFORMANCE (%)

	3 months	YTD	1 year	4 years	10 years
Fund ¹	3.51	3.51	46.52	4.59	9.14
Index ²	3.14	3.14	42.15	2.72	4.67
Added Value	0.37	0.37	4.37	1.87	4.47

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

PERFORMANCE ATTRIBUTION VS INDEX

Sectors	Attribution (basis points)	Securities	Attribution (basis points)
Cash	-10	Positive	
Energy	-83	Quebecor Inc.	54
Materials	-27	Magna Intl Inc.	38
Industrials	22	Brookfield PPTYS Co	31
Consumer Disc.	97	Linamar Corporation	28
Consumer Staples	8	Bank of Montreal	24
Health Care	-3	Negative	
Financial Services	11	Toronto Dominion Bank	-70
Technology	14	Teck Resources Ltd	-28
Telecommunications	-7	Suncor Energy Inc.	-26
Utilities	0	Talisman Energy Inc.	-21
Total	53	Penn West Energy	-11

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

Natcan Canadian Equity Fund as at March 31, 2010

OUTLOOK AND STRATEGY

We are bullish about the next few months, but feel that we may have to adopt a more cautious strategy in the future. For the time being, the economic data is encouraging, and monetary authorities remain accommodating. If either of these factors should change, it could jeopardize the stock market's upward trend.

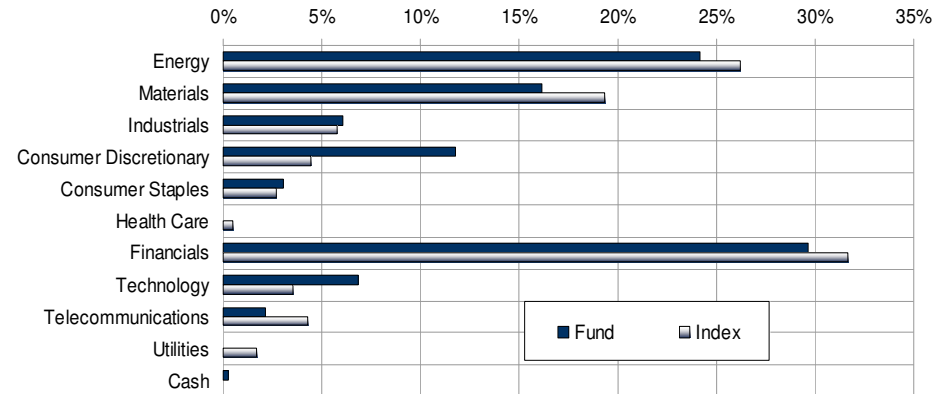
While the recovery has been significant so far, stock markets have a long way to go to fully recoup the losses recorded in 2008 and early 2009. It wasn't so long ago that the most major stock indices lost more than half of their value, historical data shows that the stock market recoveries are inversely proportional to the correction that preceded them.

We made few adjustments to the portfolio strategy during the quarter. The changes were concentrated in stock selection, we initiated a position in Telus and increased our investment in CIBC.

The major cost-cutting programs implemented by many companies in the past two years suggest that the current economic recovery will have a significant impact on corporate profits and stock prices. After rising nearly 40% over 12 months, a period of more 'normal' returns between 7% and 12% should be expected. The normalisation of valuations is essentially complete, we must now focus our attention to profitability growth and dividends.

We remain sensitive to changes to American monetary policy and/or the emergence of a tendency of higher generalized prices, as these phenomena can have a determinant impact on the long-term evolution of the stock market.

SECTOR ALLOCATION



TOP 5 HOLDINGS

Securities	Weight
Suncor Energy Inc.	5.9%
Royal Bank	5.9%
CIBC	4.5%
Bank of Montreal	4.5%
Canadian Natural Resources	4.3%

MAIN ACTIVE WEIGHTS

Overweight		Underweight	
CIBC	2.4%	Toronto Dominion Bank	-4.9%
Quebecor Inc.	2.2%	Transcanada Corp.	-1.9%
Magna Intl Inc.	2.2%	BCE Inc.	-1.7%
Suncor Energy Inc.	2.1%	Teck Resources Ltd	-1.6%
Bank of Montreal	1.9%	Enbridge Inc.	-1.4%

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