

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

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.

The Technology and Industrials sectors ended the quarter with positive returns. All other sectors trailed. The MSCI EAFE Index completed the quarter in negative territory (-2.39% in CAD). Currency movements once again were very significant as the Canadian dollar continued on its upward trend.

PERFORMANCE ANALYSIS

During the first quarter, the Fund outperformed, largely as a result of good security selection. This positive contribution was further amplified by the currency mix resulted from the security selection, in particular in the consumer staples and healthcare sectors. On the other hand, while, adverse security selection within the Financials Telecommunications and utilities sectors hindered performance.

Individually, Barclays, Zurich Financial Services and Suitomo Trust contributed most on the upside, while Prudential, Banco Santander SA, Telefonica SA, QBE Insurance Group, and Royal Dutch Shell contributed most on the downside.

PERFORMANCE (% - CAD)

	3 months	YTD	1 year	4 years	10 years
Fund ¹	-2,39	-2,39	21,05	-5,97	-0,47
Index ²	-2,39	-2,39	24,54	-4,26	-2,29
Added Value	0,00	0,00	-3,49	-1,71	1,82

1 - Everywhere in this bulletin, "Fund" refers to the Natcan International Equity Fund.
2 - Everywhere in this bulletin, "Index" refers to the MSCI EAFE Index.

PERFORMANCE ATTRIBUTION VS INDEX

Sectors	Attribution (basis points)	Securities	Contribution (basis points)
Energy	26	Positive	
Materials	-17	HSBC Holdings	26
Industrials	-14	Barclays	25
Consumer Disc.	8	Zurich Finl Svcs	22
Consumer Staples	17	Suitomo Trust & Bkg	20
Health Care	26	Total	17
Financials	-45	Negative	
Technology	-27	Prudential	-42
Telecommunications	-21	Banco Santander SA	-37
Utilities	4	Telefonica SA	-31
Total equities	-43	Qbe Insurance Group	-23
Foreign exchange/Liquidity	52	Royal Dutch Shell	-19
Total	9		

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

Natcan International 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.

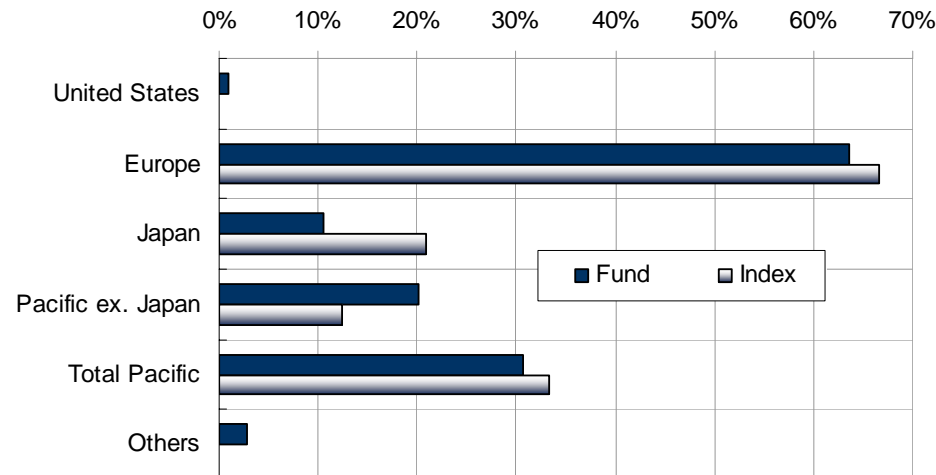
We gain exposure to emerging markets (i.e. China) through our overweight in Hong Kong. Europe and Japan are still suffering from weak domestic demand. We are focusing mostly on exporters.

During the quarter, we added Allianz to the portfolio. Allianz - is one of the world's largest insurers (#1 in Europe), offering life and savings products, health and medical insurance, property and casualty insurance and asset management (PIMCO). There are signs that the pricing cycle is turning positive and the stock is currently trading on a depressed 7x 2011 P/E ratio and has a dividend yield of 4.4%.

TECHNICAL CHARACTERISTICS

	P/E	Div.	Net Margin	ROE	Growt h Pot.	Net Debt/ Equity
Fund	14,4x	2,4%	9,0%	16,8%	11,1%	31,5%
Index	14,1x	2,4%	3,5%	12,1%	8,1%	46,1%

GEOGRAPHIC ALLOCATION



TOP 10 HOLDINGS

Securities	Weight
BHP Billiton Ltd	4,4%
Nestle SA	3,1%
Roche Holdings AG	2,9%
Novartis AG	2,7%
Royal Dutch Shell	2,7%
Banco Santander SA	2,6%
Brit Amer Tobacco	2,5%
Telefonica SA	2,5%
Rio Tinto Limited	2,4%
Schneider Electric	2,4%

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