

INVESTMENT APPROACH: Based on rigorous risk management, our approach focuses on capital preservation. Our experts share a global market perspective, and favour a disciplined investment process rooted in the belief that security and industry selection plays a central role in portfolio performance. The portfolio is actively managed without duration deviations. Our management process begins with the duplication of the index through vigorous security selection. We then proceed to an in-depth analysis of relative values with the help of derivatives in order to increase the yield of the portfolio while avoiding additional credit risk. We then analyse economic, fundamental, and technical factors to try to predict Canada and U.S. credit spreads over a 6-month horizon. Finally, we initiate different tactical deviations, and conclude with the management, in real time, of these deviations by evaluating the risk and expected return of the portfolio.

MARKET OVERVIEW

Fixed income assets are off to a good start for the year despite uncertainty related to European Sovereign risks. Canada outperforms other developed countries. Interest rates moved higher in March alongside strength in economic data. The yield curve flattened throughout the period. The DEX Universe Bond Index ended the quarter with a 1.26% return, compared to 0.72% for the DEX Universe Federal Bond Index.

Corporate bonds outperformed on the back of an improving economy. Riskier issues were the strongest performers during the period. Corporate securities rated A and BBB on the short- and medium-term segments of the curve made the greatest contributions to improving the index's return.

PERFORMANCE ANALYSIS

For the quarter, the portfolio returned positive performance and outperformed its benchmark, thanks to the sound strategy used for both security selection and sector positioning. The strongest contribution came from the overweight in insurers and real estate. In contrast, the underweight in asset-backed securities and utilities proved less lucrative.

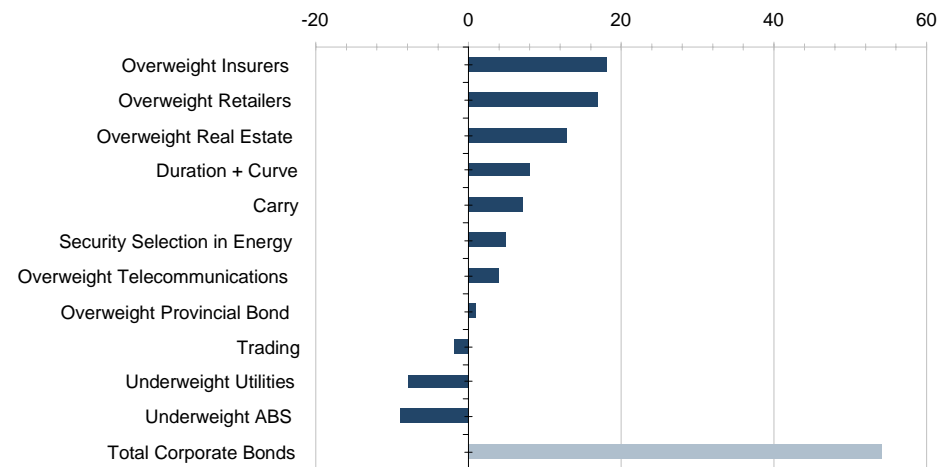
PERFORMANCE (%)

	3 months	YTD	1 year	4 years	Since Inception (2005-12)
Fund ¹	2.74	2.74	18.67	6.97	6.47
Index ²	2.21	2.21	14.83	6.13	5.70
Added Value	0.53	0.53	3.84	0.84	0.77

1 - Everywhere in this bulletin, "Fund" refers to the Natcan Corporate Universe Bond Fund.

2 - Everywhere in this bulletin, "Index" refers to the DEX Universe Corporate Bond Index.

PERFORMANCE ATTRIBUTION VS INDEX



Natcan Corporate Universe Bond Fund as at March 31, 2010

OUTLOOK AND STRATEGY

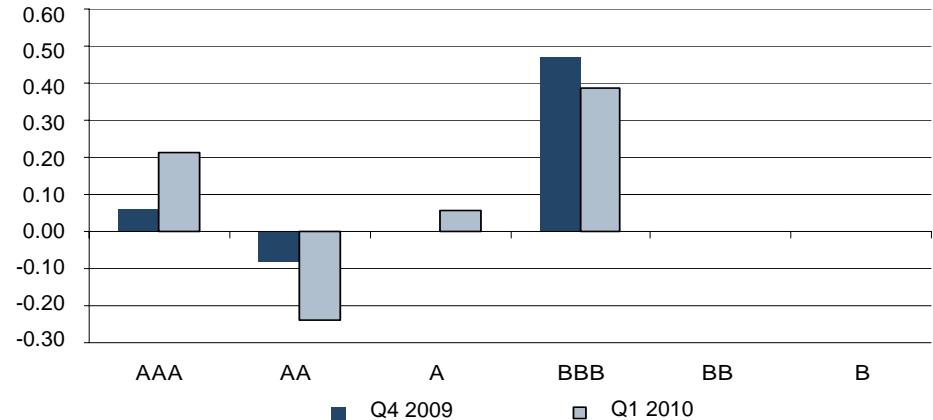
We made several adjustments to the portfolio. We reduced the weighting in AA and BBB-rated corporate issues and increased our weighting to AAA and A rated corporate bonds.

At the end of the quarter, we realigned our position in Telecommunications to market weight, this higher beta sector may experience more volatility if investor appetite for risk diminishes. We increased our exposure to the real-estate sector due to the improving economy combined with the strong financial health of Canadian REITs, holdings in this sector consist of BBB names with shorter maturities.

The position in federal bonds and cash may be changed quickly, should investment opportunities materialize in new corporate issues. We believe that the credit spreads between federal bonds and corporate bonds remain attractive in certain sectors, despite their substantial tightening since the beginning of the year.

If interest in corporate issues is sustained in coming months, the portfolio should generate a positive performance. In contrast, a widening of credit spreads between federal and corporate bonds and a major wave of new issues could limit its upside. In this context, sound security selection remains essential to safeguarding the portfolio against losses. We favour more liquid securities to ensure that we are able to respond quickly and make any required adjustments.

CREDIT RATING DEVIATIONS



Note: Dollar duration = duration spread x weighting spread

MAIN DEVIATIONS

Overweights	Natcan	Index	Deviation	Natcan Duration	Index Duration	DV01
Government of Canada	3.50%	0.00%	3.50%	3.952		0.14
First Capital Realty	2.75%	0.26%	2.49%	2.950	3.352	0.07
Citigroup Finance Canada	3.28%	0.81%	2.46%	2.533	2.745	0.06
BMW Canada Inc.	2.29%	0.30%	2.00%	2.836	2.832	0.06
Riocan Real Estate Investment Trust	2.24%	0.30%	1.94%	3.961	3.063	0.08
Husky Energy Inc.	2.13%	0.28%	1.86%	5.229	6.346	0.09
CI Financial Corp.	1.63%	0.18%	1.46%	3.656	3.283	0.05
CDP Financial	1.45%	0.00%	1.45%	7.815		0.11
Intact Financial Corp.	1.61%	0.20%	1.41%	12.927	10.113	0.19
Province of Ontario	1.38%	0.00%	1.38%	6.034		0.08

Underweights	Natcan	Index	Deviation	Natcan Duration	Index Duration	DV01
Royal Bank	3.61%	7.34%	-3.73%	3.355	3.322	-0.12
Hydro One Inc.	0.00%	2.81%	-2.81%		8.491	-0.24
Toronto Dominion Bank	4.63%	7.16%	-2.53%	5.775	4.717	-0.07
CIBC Bank	2.65%	4.71%	-2.06%	6.479	4.101	-0.02
Enbridge Inc.	0.69%	2.51%	-1.81%	13.159	8.393	-0.12
Wells Fargo Finance Canada	0.00%	1.71%	-1.71%	3.854	3.309	-0.06
Greater Toronto Airport Authority	1.51%	2.87%	-1.37%	8.033	7.746	-0.10
Bank of Montreal	3.41%	4.68%	-1.27%	4.659	4.318	-0.04
CU Inc.	0.00%	1.24%	-1.24%		9.478	-0.12
Spectra Energy	0.46%	1.56%	-1.10%	10.397	7.455	-0.07

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.

