Quarterly Bulletin as at March 31, 2010

Natcan Canadian Bond Fund

INVESTMENT APPROACH: We are active managers who apply a quantitative approach based on macroeconomic analysis where the emphasis is placed on the management of a reward/risk equation. Our objective is to maintain an asymmetry of expected returns versus the underwritten risks. Our management approach is a three-step process. The first step consists in a strategic replication of the benchmark in order to reduce tracking errors and to control the portfolio's risk. We select specific securities in order to capture liquidity and complexity premiums accessible on the market without adding credit or duration risks. Finally, the third and last step focuses on performing tactical management deviations relative to the benchmark.

MARKET OVERVIEW

The DEX Universe Bond Index experienced a surprisingly strong return of 1.26% for the quarter. We describe the quarterly performance as an upside surprise because few would have expected full quarter appreciation knowing the strength of economic growth during the period.

Two factors explain the good performance of the asset category to date. Firstly inflation measures remain low and do not represent a short term threat in investors' minds. In fact Core inflation – which excludes energy and food price movements - in the US registered at its lowest point in 50 years during the quarter[1]. The second factor is Canada's attractiveness to foreign investors during times requiring 'flight to quality' movements. The much publicized difficulties of the Greek government during the quarter and the positive trend on our currency provided some support for demand for Canadian bonds throughout the quarter.

[1] *Wolfe Trahan, March 29th, 2010.*

PERFORMANCE ANALYSIS

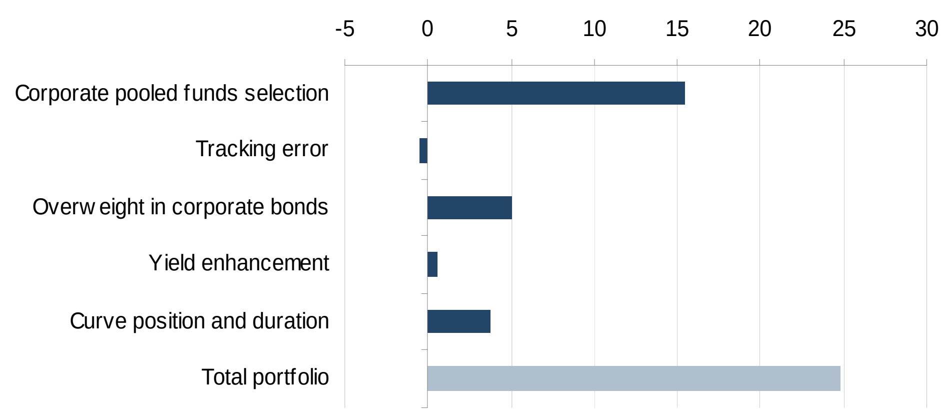
For the quarter, the portfolio outperformed its benchmark. The main sources of added value were allocation and sound corporate security selection; tactical and strategic deviations also bore fruit.

PERFORMANCE (%)

	3 months	YTD	1 year	4 years	10 years
Fund[1]	1.49	1.49	6.82	5.70	6.62
Index[2]	1.26	1.26	5.13	5.33	6.47
Added Value	0.23	0.23	1.69	0.37	0.15

1 – Everywhere in this bulletin, "Fund" refers to the Natcan Canadian Bond Fund.
2 – Everywhere in this bulletin, "Index" refers to the DEX Universe Bond Index.

PERFORMANCE ATTRIBUTION VS INDEX



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Natcan Canadian Bond Fund as at March 31, 2010

OUTLOOK AND STRATEGY

Over the quarter, we reduced the portfolio's duration, which was inline with its benchmark at the end of December 2010.This was reduced as protection against a potential increase in interest rates. We also capitalized on the stronger demand for Maple bonds to sell our positions at a profit, and also took advantage of the steepening of the yield curve and attractive returns available to buy longer-term BBB-rated corporate securities. Moreover, due to the substantial tightening in credit spreads and significant increase in corporate bond prices, we crystallized profits and eliminated our overweight in this asset class. In contrast we increased our weighting in provincial bonds.

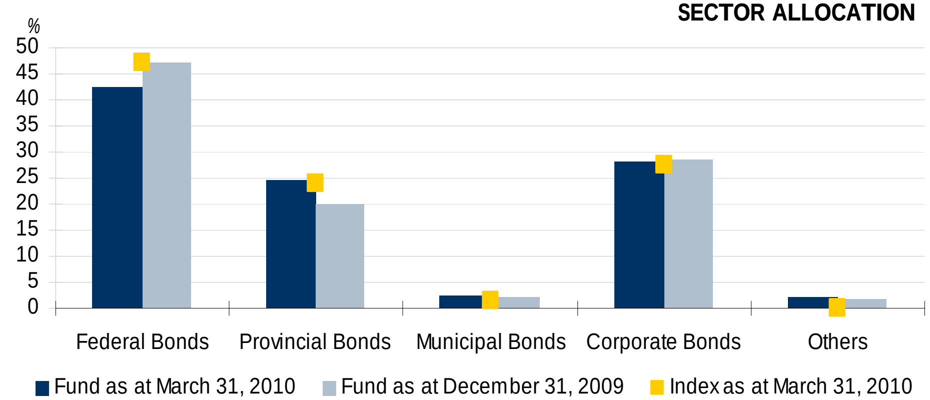
The duration of the portfolio below that of the benchmark, but could be modified based on the evolution of interest rates and the yield curve. Due to the steepness of the yield curve, the manager prefers not to reduce the duration too quickly in order to avoid impacting portfolio returns while in the wait for increasing interest rates. For the portfolio's asset allocation, the manager favours a slight overweight in long-term corporate bonds due to their more promising appreciation potential.

Lastly, because there are lingering uncertainties regarding the impact of ending various stimulus measures by government authorities in the first half of 2010, as well as future trends in interest rates and economic conditions, we are opting for caution and adopting a defensive stance. The portfolio is currently well-positioned for quick adjustments, if need be.

MODIFIED DURATION

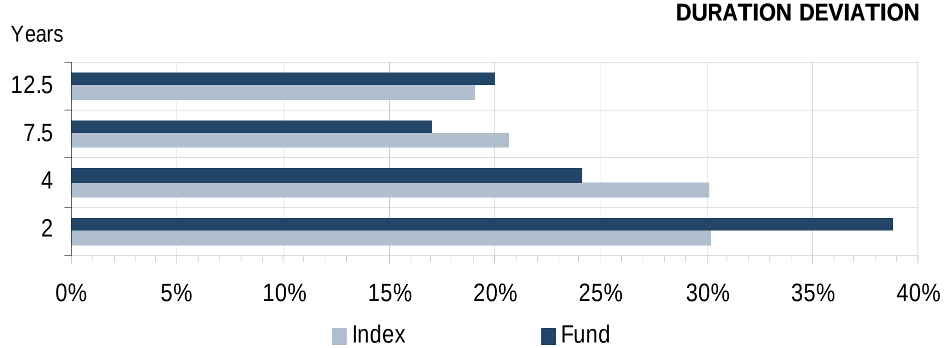
	As at March 31, 2010	As at December 31, 2009
Fund	5.43 years	5.91 years
Index	5.94 years	5.91 years

SECTOR ALLOCATION



Note: Most Supranational Agency bonds issued in Canadian currency are considered under Federal bonds. A small percentage can also be found under Corporate bonds.

DURATION DEVIATION



Note: Duration points are interpolated between these four points. Shorter and longer bonds are placed in the 2 and 12.5 buckets respectively.

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