

INVESTMENT APPROACH: We favour a growth-oriented style, which is particularly appropriate for the management of small caps. Unlike other managers, we pay special attention to the preservation of capital and seek growth opportunities across all sectors so as to diversify value-added sources. We offer a real small-cap Canadian equity product and, as such, we don't hesitate to liquidate stocks where market capitalizations has grown too big. Moreover, we draw on U.S. stocks to enhance diversification in sectors with little or no representation in Canada. Stock selection remains a priority over the selection of individual sectors, the latter being a complementary decision. A natural bias favours industrial products that are particularly conducive to innovation, and consumer products and distribution, that are sectors in expansion. On the other hand, we maintain an unfavourable bias for the resources sectors given that size and economies of scale are predominant factors.

MARKET OVERVIEW

Investors focused on signs of a strengthening recovery in the US rather than on the economic difficulties of various southern European countries during the first quarter. In this environment, global small capitalisation stocks continue to outperform their large capitalisation peers a trend which finds confirmation in the Canadian market.

All sectors completed the quarter in positive territory with the exception of Technology. Consumer Discretionary, Utilities, Healthcare and Financial Services were the performance leaders. Though returns were positive in the absolute sense Consumer Staples, Industrials and Energy lagged the benchmark index during the period.

PERFORMANCE ANALYSIS

For the first quarter, the portfolio posted positive absolute performance and outperformed its benchmark. Sector deviations had minimal impact on performance with stock selection the source of added value. The largest positive contributions in this regard came from holdings in Transglobe energy, Eastern Platinum, Route1, Zions Bancorp, and Transforce. Key underperforming holdings were posted by Transat, Telvent and Uni-Select.

PERFORMANCE (%)

	3 months	YTD	1 year	4 years	10 years
Fund ¹	5.72	5.72	86.26	3.01	11.22
Index ²	4.91	4.91	76.86	-0.90	7.57
Added Value	0.81	0.81	9.40	3.91	3.65

1 - Everywhere in this bulletin, "Fund" refers to the Natcan Small Cap Equity Fund.
2 - Everywhere in this bulletin, "Index" refers to a combined index as calculated by Natcan (BMO Small Cap Index until August 2007, and S&P/TSX SmallCap Index since then).

PERFORMANCE ATTRIBUTION VS INDEX

Sectors	Attribution (basis points)	Securities	Attribution (basis points)
Cash	39	Positive	
Energy	161	Transglobe Energy	160
Materials	108	Eastern Platinum Ltd	93
Industrials	-117	Route 1 Inc.	77
Consumer Disc.	-106	Zion Bancorporation	61
Consumer Staples	15	Transforce Inc.	45
Health Care	-103	Negative	
Financial Services	104	Transat A. T. Inc.	-77
Technology	5	Bankers Petroleum	-49
Telecommunications	-6	Telvent Git Sa	-42
Utilities	-15	Western Canadian Coal	-39
Total	85	Uni Select Inc.	-34

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

Natcan Small Cap Equity Fund as at March 31, 2010

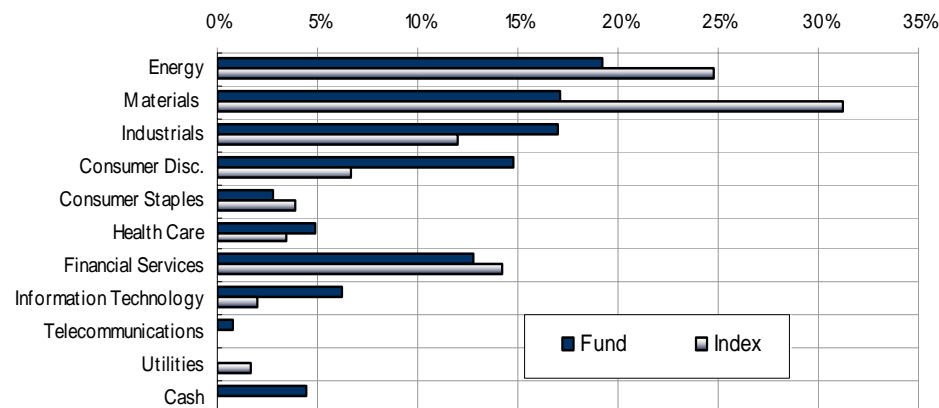
OUTLOOK AND STRATEGY

Our investors are aware that sector deviations are a by product of stock selection within our investment process. Sector deviations must therefore be viewed within the context of the primacy of security selection. From an overall market perspective, and with the exception of natural resources, we believe the market underestimates the positive impact of the economic recovery on corporate results. Within the natural resources area we still prefer energy producers over service providers and income trusts; additionally, our focus is on oil companies rather than natural gas given the quasi structural weakness in the price of the commodity. Our main active deviation within the natural resource sector is in the precious metals sub sector and more specifically gold stocks. We are satisfied with our current positioning vis a vis gold stocks.

During the course of the first quarter, we realized profits in natural gas stocks (Nuvista, Crew, Galleon and Forest Oil), mining stocks (Capstone, Mercator, and Consolidated Thompson) and gold stocks (San Gold, Northgate, and Eastern Platinum). In many cases, we believe that, in the short term, valuations exceed company fundamentals mostly as a result of the weakness of the American dollar. A pause in the dollar's downward trend or small appreciation could lead to negative price movements for the stocks in these sectors.

We liquidated the position in Telvent (US) and acquired new positions in Grand Tierra (a Columbian oil producer) and Stella Jones (a supplier of industrial treated wood products for the railway industry).

SECTOR ALLOCATION



BUYS AND SELLS

Additions	Sectors
Gran Tierra Energy	Energy
Stella Jones Sub Rec	Materials
Withdrawals	Sectors
Telvent Git Sa	Technology

TOP-5 HOLDINGS

Securities	Weight
Garda World Secur	3.9%
Transglobe Energy	3.7%
Forzani Group Ltd	3.3%
Transforce Inc.	3.0%
Atrium Innovations	2.8%

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