

NATCAN CANADIAN EQUITY FUND

Management 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

Nine sectors of the S&P/TSX Index ended the third quarter of 2008 down, causing the overall market to plummet 18.22%. Disappointing results on the part of Research in Motion and Nortel were undoubtedly the driving forces of Information Technology's drastic fall of 37.96%. Materials, Energy, Utilities, and Industrials round out the list of underperformers for the period.

In spite of the recent debacle of its global counterparts, notably the U.S., Canadian financials registered a positive return of 2.56% for the period, highlighting the relative financial strength of our banking industry. Industry structure and stronger regulation have contributed to maintaining much healthier lending standards in Canada.

PERFORMANCE REVIEW

Emphasis on good diversification and prudence enabled us to offset the benchmark's material pullback with significant value added for the last three months. The quarter just ended ranks among the strongest for outperformance in the strategy's history spanning two decades.

The portfolio's defensive positioning and sector allocation (notably the underweight positions in Information Technology and Materials and the overweight in Consumers), along with a vigorous stock selection, contributed to most of the value added.

Strong investment conviction and adherence to the Value school of investing led to strong value-added.

PERFORMANCE

	3 months	YTD	1 year	4 years	10 years
Fund ¹	-13.32%	-12.30%	-13.68%	8.58%	12.46%
Index ²	-18.22%	-13.32%	-14.40%	10.40%	9.71%
Added value	4.90%	1.02%	0.72%	-1.82%	2.75%

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 THE INDEX

Sectors	Attribution (basis points)	Securities	Attribution (basis points)
Cash	76	Positive	
Energy	-39	Potash Corp. of Sask.	202
Materials	110	Research In Motion	182
Industrials	48	Canadian Oil Sands Trust	36
Consumer Disc.	129	CIBC Bank	22
Consumer Staples	43	Kinross Gold Corp.	21
Health Care	10	Negative	
Financials	3	Agrium Inc.	-98
Technology	132	EnCana Corporation	-54
Telecommunications	-12	Yamana Gold	-50
Utilities	-4	Petro-Canada	-44
Total	496	Barrick Gold Corp.	-32

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

NATCAN CANADIAN EQUITY FUND

OUTLOOK AND STRATEGY

Very few tactical changes were made during the quarter as the portfolio was pre-emptively positioned to benefit from this imminent market correction. We had already reduced our exposure to resources, sectors we deem to be too sensitive to the economy within the context of a global synchronized slowdown.

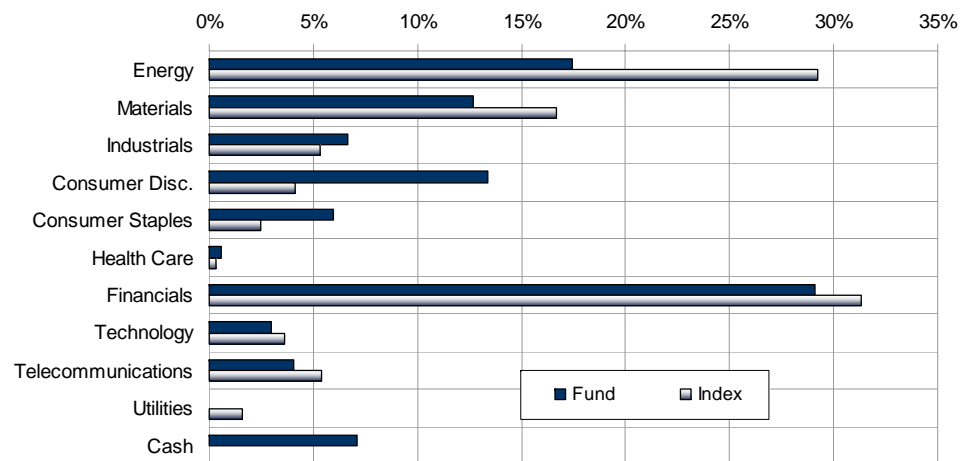
Inversely, we increased our exposure to the Consumer Discretionary and Financial Services sectors. We believe that current market pessimism will allow us to fully benefit from the opportunities these sectors now have to offer.

We initiated a new position in George Weston, and proceeded to significantly increase our exposure to Dorel Industries, a world-class company operating in child care product manufacturing and bicycles. We added to different consumer holdings, but sold our position in Jean Coutu Group due to persistent problems at RiteAid and the current state of the U.S. economy.

The current financial crisis comes without precedence in 50 years. We therefore prefer to remain prudent given the general market outlook. As such, we are maintaining a substantial cash level on hand.

After a significant period of underperformance, we think Value investing is in the midst of a powerful comeback of the type that has contributed to its historical dominance. We have confidence in the composition of the portfolio, with holdings that provide attractive risk/return ratios, are not expensive, have strong balance sheets, and operate in sectors that have not been subject to the recent wave of speculations.

SECTOR ALLOCATION



TOP FIVE HOLDINGS

Securities	Weight
Manulife Financial Corp.	5.4%
Royal Bank of Canada	5.1%
EnCana Corporation	4.4%
Barrick Gold Corp.	4.3%
CIBC Bank	4.2%

MAIN DEVIATIONS VS THE INDEX

Overweight		Underweight	
Astral Media Inc	3.0%	Potash Corp. of Sask.	-3.4%
CIBC Bank	2.6%	Research in Motion Ltd	-2.9%
Dorel Industries Inc.	2.0%	Bank of Montreal	-1.9%
Barrick Gold Corp.	1.9%	Canadian Oil Sands Trust	-1.5%
Quebecor Inc.	1.8%	BCE Inc.	-1.3%

This publication is intended for your private information. The information and opinions herein are provided for informational purposes only, 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. 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. The Natcan Pooled Funds performance returns are calculated on a net of fees basis. All market index returns presented in this document were provided by Thomson Reuters.