NATCAN GLOBAL EQUITY FUND

Management Approach Company evaluation is at the core of our strategy as this is the source of our value added. Not all companies are created equal. We only buy the best business models, firms with a lasting competitive edge that will surpass their peers over the long run (3-5 years). We believe that the best strategy is to buy quality and avoid speculative issues. We favor sectors that display consistent growth and lower volatility over time. We do not speculate and as such, we avoid highly volatile sectors or stocks. Part of our investment process consists of creating a universe of companies that meet our criteria for investment. This pre-selected universe is the cornerstone of our "bottom-up" approach and is indicative of the emphasis we put on security selection (what we believe is our source of value added). Our typical investment horizon is 4 to 5 years.

MARKET OVERVIEW

Global equity markets were extremely volatile in the quarter as problems in the financial sector resulted in the failure of a number of large financial institutions and in banks de-leveraging and limiting the availability of credit. The thesis that strength in China, and Asia in general, would prevent a global slowdown was seriously challenged as economic indicators slowed sharply in Europe and Asia. Finally, commodity prices unwound violently as real demand destruction was confirmed in the oil market, the growth in China slowed, and credit market conditions forced many investors to liquidate large positions in commodity funds.

The MSCI World Index was down 10.84% (in Canadian dollars) for the quarter. Every country, with the exception of the U.S. and Switzerland, fared worse than the index. From a sector point of view, the three sectors that led the way in the first half of 2008, Materials, Energy, and Industrials, had a violent reversal as commodity prices slid. The best performing sectors were the defensive Consumer Staples and Health Care as investors sought certainty amid all this volatility.

PERFORMANCE REVIEW

The portfolio returned -10.08% for the quarter, thereby outperforming its benchmark. Sector allocation was the main driver behind this relative performance. The most positive contributions came from the Industrials and Technology sectors. The portfolio also benefited from having substantial overweight positions in the U.S. and Switzerland while having few investments in lagging countries.

In terms of holdings, in addition to the main positive contributions presented in the table on the right, our decision to not own AIG, Anglo American, and BP was also beneficial. ING, Petroleo Brasileiro, and BG were the most negative contributors due to weakness in European financials and the falling oil price.

PERFORMANCE ($CAD)

	3 months	YTD	1 year	4 years	Since inception (2004-06)
Fund[1]	-10.08%	-20.46%	-21.76%	-0.75%	-2.54%
Index[2]	-10.84%	-18.62%	-21.21%	0.17%	-1.48%
Added value	0.76%	-1.84%	-0.55%	-0.92%	-1.06%

1 – Everywhere in this bulletin, "Fund" refers to the Natcan Global Equity Fund.
2 – Everywhere in this bulletin, "Index" refers to the MSCI World ex-Canada.

PERFORMANCE ATTRIBUTION VS THE INDEX

Sectors	Attribution (basis points)	Securities	Attribution (basis points)
Energy	-33	**Positive**	
Materials	34	Petroleo Brasileiro	38
Industrials	14	General Electric Co.	33
Consumer Disc.	33	Bank of America Corp.	24
Consumer Staples	-11	BG Group	21
Health Care	-47	BHP Billiton Ltd.	21
Financials	-91	**Negative**	
Technology	25	Dexia	-46
Telecommunications	-30	Prudential Financial	-37
Utilities	-10	Ameriprise Financial	-34
Total equities	-116	JPMorgan Chase and Co.	-23
Foreign exchange/Liquidity	43	Barclays	-22
Total	**-73**		

Sector attribution includes sector allocation and stock selection.

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OUTLOOK AND STRATEGY

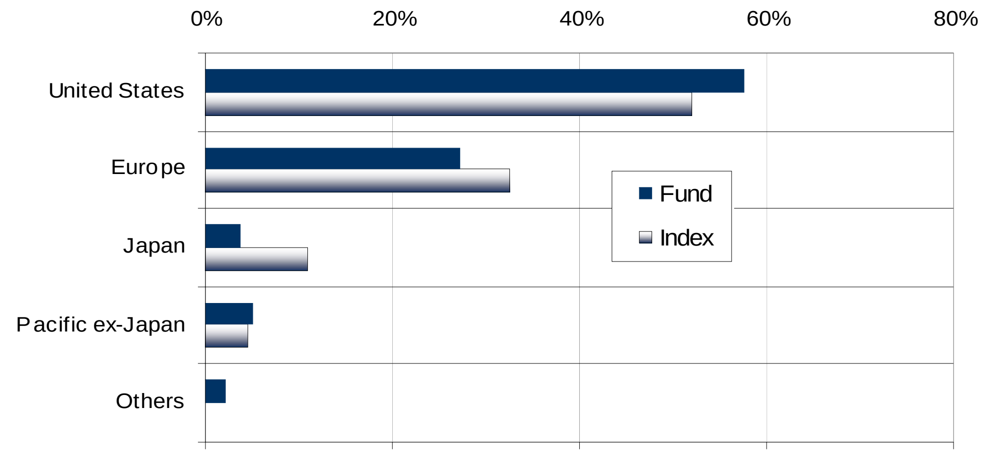
During the quarter, we increased the underweight in commodities by selling our stakes in Rio Tinto, Celanese, and Arcelor Mittal, and reducing our exposure to Monsanto, Syngenta, and BHP. Conversely, we strengthened our exposure to Consumer Staples and Health Care by initiating positions in Danone and Covidien.

Given the credit crisis seems to be accelerating rather than easing, delaying the imminent market correction, we do not expect to revise the current defensive and cautious position of the portfolio over the coming weeks.

Materials, Energy, and Industrials typically underperform at this point of the economic cycle due to weakening end demand and declining earnings forecasts often overestimated by analysts. We will therefore maintain an underweight position in these sectors, as well as in the Financials sector as banks become more cautious on putting liquidity into the banking system.

The current strategy continues to be one which focuses on high quality, cash generative business models with relatively low levels of cyclicality. These companies are typically concentrated in Consumer Staples, Health Care, and Information Technology, three sectors in which the portfolio is overweight.

GEOGRAPHICAL ALLOCATION



TECHNICAL CHARACTERISTICS

	P/E	Div.	Net Margin	ROE	Growth Pot.	Net Debt/ Equity
Fund	17.2x	2.2%	12.2%	21.4%	13.4%	26.9%
Index	14.6x	3.1%	8.0%	17.3%	9.6%	41.4%

TOP TEN HOLDINGS

Securities	Weight
Nestle SA	3.1%
Exxon Mobil	3.1%
Johnson & Johnson	2.5%
JPMorgan Chase & Co.	2.4%
Microsoft Corp.	2.2%
Lockheed Martin Corp.	2.1%
AXA	2.1%
Prudential Financial	2.0%
Roche Holdings AG	2.0%
Philip Morris Intl.	1.9%

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