

NATCAN SOCIAL VALUE CANADIAN EQUITY FUND

Management Approach Our goal is to drive the social rating of our fund beyond that of the S&P/TSX. To do so, we rely on three strategies. The first one consists in excluding companies whose primary mission is linked to arms production, tobacco, alcohol, nuclear energy, pornography, or gambling. The second one calls on social value criteria to determine the ethical strengths and weaknesses of companies in different areas, such as community involvement, diversity, employee relations, environment, and commercial practices and products. The third strategy aims at utilizing our shareholder rights through proxy voting. Guidelines are based on the policies developed by certain shareholder groups with ethical and social focus.

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 (-33.59%), Energy (-26.95%), Utilities (-15.51%), and Industrials (-12.90%) 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 in Canada. Industry structure and stronger regulation have contributed to maintaining much healthier lending standards.

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 | Since inception (2004-02) |
|--------------------|----------|---------|---------|---------|---------------------------|
| Fund ¹ | -12.91% | -12.13% | -13.50% | 8.57% | 7.25% |
| Index ² | -18.22% | -13.32% | -14.40% | 10.40% | 8.95% |
| Added value | 5.31% | 1.19% | 0.90% | -1.83% | -1.70% |

¹ - Everywhere in this bulletin, "Fund" refers to the Natcan Social Value 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 | 119 | Positive | |
| Energy | -9 | Potash Corp. of Sask | 202 |
| Materials | 113 | Research In Motion | 182 |
| Industrials | 43 | Cameco Corp. | 44 |
| Consumer Disc. | 124 | Canadian Oil Sands Trust | 36 |
| Consumer Staples | 42 | Kinross Gold Corp. | 21 |
| Health Care | 10 | Negative | |
| Financials | -26 | Agrium Inc. | -100 |
| Technology | 132 | EnCana Corporation | -53 |
| Telecommunications | -13 | Yamana Gold Inc. | -49 |
| Utilities | -4 | Petro-Canada | -47 |
| Total | 531 | Oilexco Inc. | -33 |

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

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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.

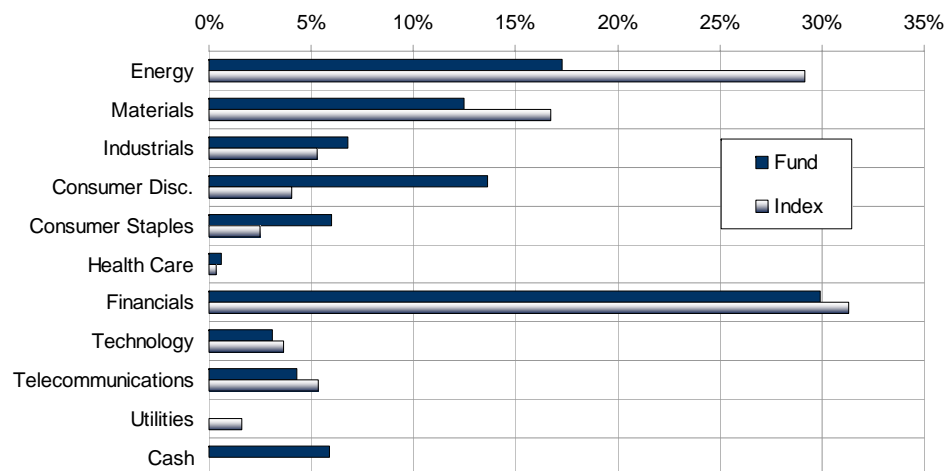
After a significant period of underperformance, Value investing is in the midst of a powerful comeback of the type that has contributed to its historical dominance. We have confidence in the composition of the portfolio, with holdings that provide attractive risk/return ratios, are not expensive, have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

SOCIAL VALUE INDEX

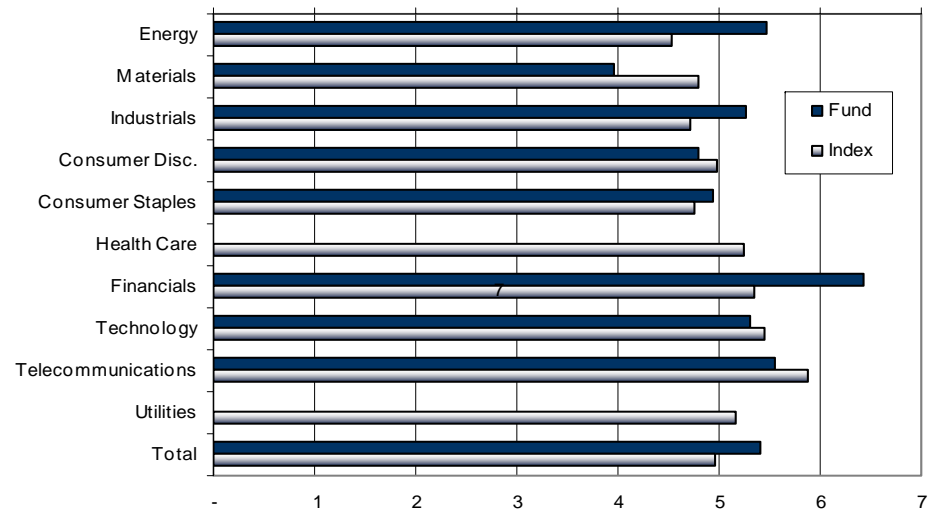
As at September 30, 2008, the fund's weighted ESG score was slightly inferior to that of its index: 5.62 against 5.73 for the S&P/TSX Index.

This slight underperformance resulted from certain changes made to the portfolio and a sector rotation that caused a temporary imbalance. We are still striving to resolve the situation so that the fund's ESG score once again exceeds that of the benchmark.

SECTOR ALLOCATION



AVERAGE OF ESG PERFORMANCE PER SECTOR



Sources: Jantzi Research, Natcan

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