

Quarterly Bulletin as at September 30, 2009

Natcan U.S. Equity Fund

INVESTMENT APPROACH: We are bottom up stock pickers, searching for secular growth opportunities that are reasonably priced. Preference is given to sectors offering sustainable growth and low volatility. The managers seek out and invest in the best business models globally: companies generating stable and persistent earnings growth, expanding and above-average profit margins, and high returns on capital. This combination of attractive characteristics provides a margin of safety and a cushion against a host of inevitable economic and business uncertainties.

MARKET OVERVIEW

Financial markets performed with admirable strength during the third quarter. Investors continued to allocate fresh capital to equities in anticipation of an economic recovery., despite observers' warning about the steepness and speed of the recovery.

In the U.S., the S&P 500 Index returned 6.43% for the quarter, propelled higher by better than expected profit reports and increasing signs indicating the recession was waning. Notwithstanding, job creation continued to elude, as the unemployment rate rose to its highest level in more than 20 years. Fortunately, the trend of slowing job losses remained intact and purchasing power continued to improve.

Sector returns were varied, ranging from +15.6% (Financials) to -2.8% (Telecommunications). The drop in value of the U.S. dollar during the period almost overpowered the underlying strength of U.S. equities during the quarter. When expressed in local currency, the S&P 500 Index appreciated 15.61% during the quarter.

PERFORMANCE REVIEW

During the quarter, the Fund had a very solid performance that did nonetheless trail that of its benchmark. On a relative basis, the Fund benefited from a judicious selection within the Utilities and Telecommunication sectors. However, this positive impact was more than offset by adverse selection within the Industrials, Healthcare, Consumer Discretionary, and Financials sectors. Returns were further hindered by an underweight position in Financials, the best performing sector during the quarter.

PERFORMANCE (% - CAD)

	3 months	YTD	1 year	4 years	10 years
Fund ¹	3.36	0.73	-9.69	-4.80	-4.62
Index ²	6.43	4.88	-6.34	-3.62	-3.25
Added Value	-3.07	-4.15	-3.35	-1.18	-1.37

1 - Everywhere in this bulletin, "Fund" refers to the Natcan U.S. Equity Fund.
2 - Everywhere in this bulletin, "Index" refers to the S&P 500 Index.

PERFORMANCE ATTRIBUTION VS INDEX

Sectors	Attribution (basis points)	Stocks	Contribution (basis points)
Energy	-13	Positive	
Materials	-8	Apple Inc.	45
Industrials	-92	JPMorgan Chase & Co	42
Consumer Disc.	-63	Joy Global Inc.	39
Consumer Staples	-37	Time Warner Cable	32
Health Care	-56	Anadarko Pete	25
Financials	-65	Negative	
Technology	-19	Lockheed Martin Corp.	-23
Telecommunications	19	McGraw Hill Cos Inc.	-20
Utilities	28	Stericycle Inc.	-20
Total Equities	-306	Citigroup Inc.	-17
Foreign Exchange/Liquidity	1	American Express Co	-17
Total	-305		

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

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OUTLOOK AND STRATEGY

For the last few months, markets have been anticipating and pricing an economic recovery, an outcome we believe is in the offing. However, we differ with the consensus as to the degree of the rebound. As such, we are continuing to overweight those areas we believe are positioned for such an outcome. Although we slightly increased the risk profile of the portfolio we are remaining cautious, given the sharp upturn from the bottom. In this context, we are continuing to favour companies with attractive valuation metrics, currently found in the Technology, Industrials and Energy sectors, where keeping an underweight in Financials, an area that continues to face difficulties.

In this context, we have added to attractively valued issues already held in the portfolio such as, Bank of America, Ebay, EMC, Time Warner, and Joy Global and initiated new positions in American Express, Anadarko Petroleum, ArcelorMittal, Autozone, General Electric, Honeywell, Lexmark, Lorillard, McKesson, NRG Energy, Target, and Wellpoint.

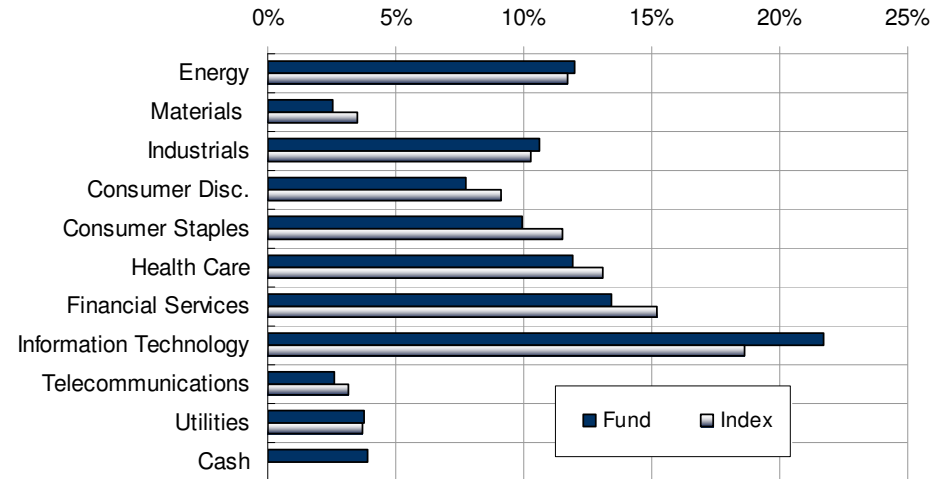
Conversely, we have exited and/or significantly reduced positions where valuation appear relatively expensive, namely Archer Daniels, Becton Dickinson, Biogen, Chevron, Deere, Ericksson, Exelon, Freeport McMoran, Genzyme, Gilead, Lockheed Martin, Lowes, McGraw Hill, Monsanto, Walmart, Waste Management, Exxon Mobil, Stericycle, Qualcomm, Yum Brands, ACE limited, Abbott Laboratories and Morgan Stanley.

The U.S. is indeed exhibiting signs of recovery, as inventory levels approach record low levels and M&A activity surges. Notwithstanding, confirmation in the form of recovering earnings is needed for markets to push higher. As such, third-quarter results are eagerly awaited as corporations need to provide investors with evidence of top (revenue) line improvement, indicating that growth, regardless of how modest, is on the horizon.

TECHNICAL CHARACTERISTICS

	P/E	Div.	Net Margin	ROE	Growth Pot.	Net Debt/Equity
Fund	16.4x	1.9%	9.5%	19.6%	13.5%	39.0%
Index	16.0x	2.5%	4.3%	17.2%	10.4%	45.0%

SECTOR ALLOCATION



TOP 10 HOLDINGS

Securities	Weight
JPMorgan Chase & Co	4.4%
Apple Inc.	4.4%
General Electric Co	3.5%
Bank of America Corp.	3.5%
Exxon Mobil Corp.	3.3%
Microsoft Corp.	3.3%
Philip Morris Intl	3.2%
Johnson & Johnson	3.0%
Hewlett Packard Co	3.0%
Goldman Sachs Group	2.8%

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