

Quarterly Bulletin as at September 30, 2009

INVESTMENT APPROACH: Based on rigorous risk management, our approach focuses on capital preservation. Our experts share a global market perspective, and favour a disciplined investment process rooted in the belief that security and industry selection plays a central role in portfolio performance. The portfolio is actively managed without duration deviations. Our management process begins with the duplication of the index through vigorous security selection. We then proceed to an in-depth analysis of relative values with the help of derivatives in order to increase the yield of the portfolio while avoiding additional credit risk. We then analyse economic, fundamental, and technical factors to try to predict Canada and U.S. credit spreads over a 6-month horizon. Finally, we initiate different tactical deviations, and conclude with the management, in real time, of these deviations by evaluating the risk and expected return of the portfolio.

MARKET OVERVIEW

Corporate bonds posted an excellent performance for a third consecutive quarter due to keen investor interest and early indicators of an improving economy. Although the returns generated by this asset class exceeded the fixed-income sector as a whole for the period, they fell short of the returns posted during the second quarter.

In Canada, spreads of the DEX Mid Term Corporate Index tightened by 57 basis points to close the quarter at +159 basis points. On the other hand, spreads of the DEX Universe All Corporate Index tightened from 200 to 149 basis points from the beginning to the end of the quarter. The frenzied pace of new issues slackened in both Canada and the U.S. over the summer, which allowed the trend in credit spreads to continue.

The DEX Mid Term Corporate Index ended the quarter with a return of 5.82 % compared to +1.42 % for the DEX Mid Term Federal Index. In this context, BBB and A rated mid-term issues gained the most, notching returns of 6.00% and 5.77 % respectively.

PERFORMANCE ANALYSIS

For the quarter, the portfolio turned in a positive performance that outpaced that of its benchmark, mainly as a result of the proactive approach adopted during the previous quarter. To this subject, we recently increased the portfolio's risk by reducing its weighting in federal bonds to increase corporate and provincial securities.

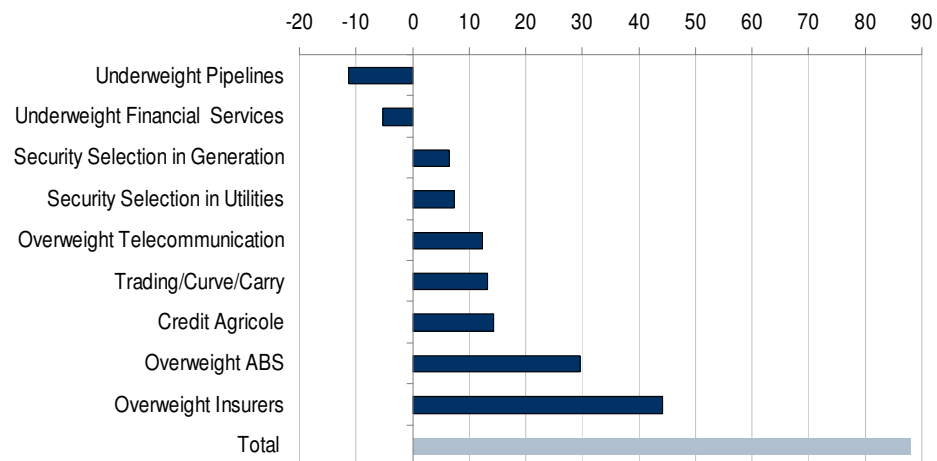
On the whole, our strategy proved fruitful, both in terms of security selection and sector positioning. The largest positive contribution stemmed from being overweight in insurers. However, this positive impact was substantially mitigated, by the less lucrative underweight in Financial Services and exploration-related issues.

PERFORMANCE (%)

	3 months	YTD	1 year	4 years	Since Inception (1999-11)
Fund ¹	6.70	20.85	20.22	6.21	8.03
Index ²	5.82	19.95	18.50	5.81	7.75
Added Value	0.88	0.90	1.72	0.40	0.28

1 - Everywhere in this bulletin, "Fund" refers to the Natcan Corporate Bond Fund.
 2 - Everywhere in this bulletin, "Index" refers to the DEX Mid Term Corporate Bond Index.

PERFORMANCE ATTRIBUTION VS INDEX



Natcan Corporate Bond Fund as at September 30, 2009

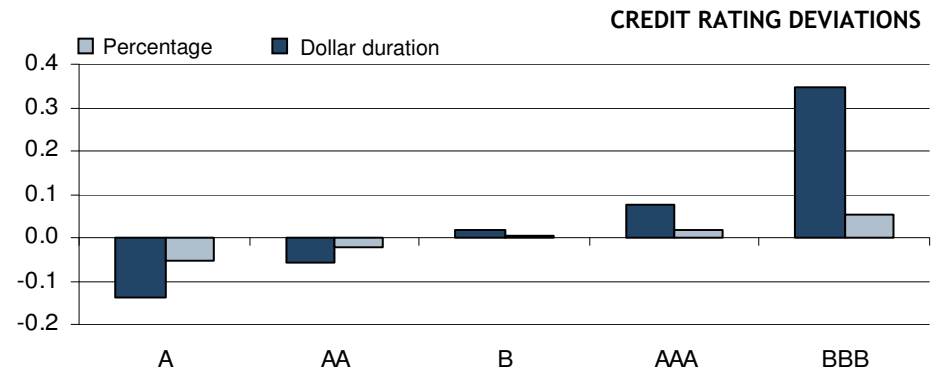
OUTLOOK AND STRATEGY

In an attempt to protect the portfolio from a market relapse and/or a widening of credit spreads and in order to preserve the portfolio's excellent performance until the end of the year, we reduced the portfolio's risk and crystallized a portion of the accumulated profits during the summer. In this context, we liquidated our position in asset-backed securities, due to the substantial rise in their price and short duration. Nevertheless, the portfolio's profile remains more aggressive than its benchmark index.

Over the period, we maintained the overweight in government bonds. This weighting could eventually be reduced in order to purchase newly-issued corporate securities. We continue to monitor appealing investment opportunities, as credit spreads are still attractive despite the significant narrowing that has occurred since the start of the year. However, we favour non-financial sectors and BBB-rated securities due to the higher returns they offer. We also favour provincial securities over senior bank debt securities, thereby justifying the slight overweight in this asset class.

The portfolio remains underweight in bank securities in favour of an overweight in insurance companies, telecommunications and BBB-rated corporate issues, given their more attractive returns. Furthermore, an underweight in infrastructure issues is also being maintained, on rich valuations.

If interest for corporate issues is sustained in the coming months, the portfolio should generate a positive performance. In contrast, a widening in credit spreads between federal and corporate bonds and a major wave of new issues could limit its progress. In this context, sound security selection remains essential to guard the portfolio against the risk of depreciation, leading us to favour more liquid securities to ensure a quick response in the case it is needed.



Note: Dollar duration = duration spread x weighting spread

MAIN DEVIATIONS

Overweights	Natcan	Index	Deviations	Natcan duration	Index duration	DV01
Sun Life	4.98%	3.29%	1.69%	5.829	5.898	0.096
TD Bank	13.55%	11.86%	1.68%	6.163	6.078	0.114
Brookfield Renewable Power	2.25%	0.59%	1.67%	6.561	6.314	0.111
Canadian Government	1.65%	0.00%	1.65%	4.718	0.000	0.078
GreatWest Life	4.07%	2.51%	1.56%	6.441	6.269	0.105
Rona Inc.	1.59%	0.52%	1.07%	5.635	5.635	0.060
Shaw Communications	2.11%	1.06%	1.06%	7.595	5.717	0.100
Quebec Government	0.86%	0.00%	0.86%	8.029	0.000	0.069
BCE Inc.	2.16%	1.30%	0.86%	6.673	5.959	0.067
First Capital Realty	0.86%	0.00%	0.86%	3.769	0.000	0.032
Underweights	Natcan	Index	Deviations	Natcan duration	Index duration	DV01
Royal Bank	0.95%	3.28%	-2.33%	4.052	5.425	-0.139
National Bank	0.00%	2.20%	-2.20%	0.000	5.434	-0.120
CIBC	2.23%	4.39%	-2.16%	6.516	5.989	-0.118
Scotia Bank	1.01%	2.69%	-1.68%	6.899	5.865	-0.088
Hydro One	0.00%	1.61%	-1.61%	0.000	6.092	-0.098
EnCana	0.00%	1.15%	-1.15%	0.000	6.554	-0.075
Molson-Coors	0.17%	1.27%	-1.10%	5.140	5.140	-0.056
Enbridge Inc.	1.46%	2.46%	-1.00%	7.439	6.533	-0.052
Caisse Desjardins	0.00%	0.77%	-0.77%	0.000	5.506	-0.043
Canadian Utilities	0.43%	1.19%	-0.76%	7.304	6.774	-0.049

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