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

Though the S&P/TSX Index closed the last quarter of 2007 with a return of -1.25%, the Canadian market outperformed global markets for the period. However, the unusual concentration of Canada's equity market performance did not reflect the overall state of the market as six stocks substantiate 98% of that return.

The quarter received positive contributions from a few sectors, namely Technology, Utilities, and Materials. The strong appreciation of RIM and the takeover of Cognos by IBM were key factors behind the increase in technology stocks. The Health Care sector was severely injured during the period.

PERFORMANCE REVIEW

For the quarter, the portfolio return was slightly inferior to that of the market. Stock selection partially offset the negative impact of the portfolio's overall sector allocation. The Financials sector had a positive influence through its allocation and stock selection. In fact, the absence of CIBC in the portfolio, a stock that pulled back 29% over the period, ranks as one of the top contributors this quarter. Our industrial holdings (e.g, WestJet, up 31%) were also beneficial, as was our cash allocation, especially at a time of such high volatility.

Negative contributions came primarily from the absence of two stocks in the portfolio: Potash and Research In Motion, which increased 37% and 15% respectively. Had it not been for RIM and Potash, the market would have increased by only 3.0% (S&P/TSX Price Index). Let us mention that these two names also explain a considerable part of the portfolio's underperformance for the year 2007 in general. The Materials sector was the worst performer of the fourth quarter as several of its stocks pulled back significantly (Teck Cominco, Ivanhoe Mines, Hudbay Minerals, etc.).

PERFORMANCE

	3 months	YTD	1 year	4 years	10 years
Fund[1]	-1.57%	6.09%	6.09%	14.38%	12.85%
Index[2]	-1.25%	9.83%	9.83%	16.31%	9.47%
Added value	-0.32%	-3.74%	-3.74%	-1.93%	3,38 %

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

PERFORMANCE ATTRIBUTION VS THE INDEX

Sectors	Attribution (basis points)	Securities	Attribution (basis points)
Cash	22	**Positive**	
Energy	-17	CIBC Bank	67
Materials	-105*	Cognos Inc.	41
Industrials	13	Agrium Inc.	39
Consumer Disc.	-28	WestJet Airlines	29
Consumer Staples	23	Saputo Inc.	17
Health Care	-12	**Negative**	
Financials	94	Potash Corp of Sask.	-87
Technology	-1	Research in Motion Ltd	-49
Telecommunications	-10	Canadian Oil Sands Trust	-21
Utilities	-8	Suncor Energy Inc.	-21
Total	**-29**	Canadian National Railway	-20

*Sector attribution includes sector allocation and stock selection. In green: not a portfolio holding. *This number includes a negative currency contribution of 28 basis points further to a transaction on Alcan.*

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STRATEGY

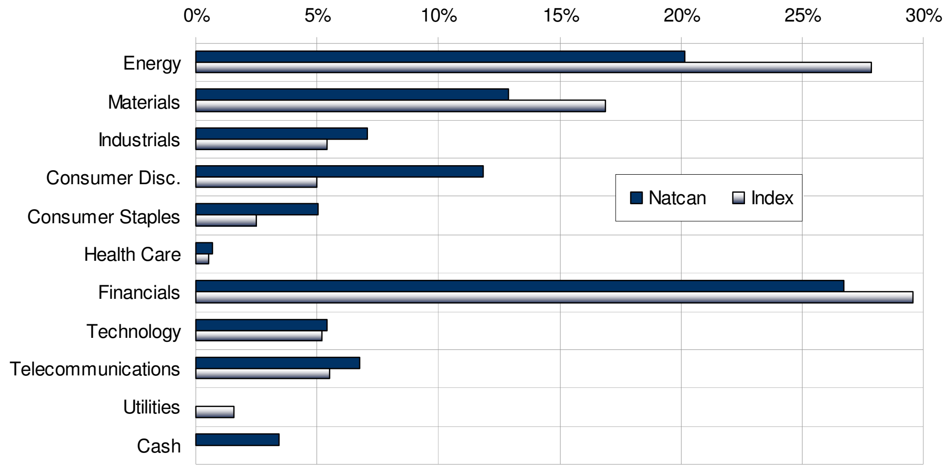
The recent real estate and credit crises had a tremendous effect on the U.S.' economic development, and the situation remains a cause for concern. Yet, some discounts are now beginning to appear as a result, and we believe we can take advantage of these discounts in the medium term.

The portfolio remains overweight in Consumer Discretionary, Consumer Staples, and Industrials sectors. We reduced its exposure to the Materials sector to an underweight position. Other key underweights are in Energy and Financial Services, despite the fact that the sums generated as a result of Alcan's acquisition by Rio Tinto were reinvested in Energy and life insurers.

The main risks of the current strategy refer to the strength of natural resources. The portfolio is underweight in natural gas, uranium, fertilizers, and gold stocks. Each of these resources has its own cycle, but they can periodically react to common factors, such as the strength of emerging economies or fluctuations in the value of the U.S. dollar. We believe the current economic slowdown has not yet been reflected in these sectors and as such, prefer to maintain the current underweight.

Over the coming quarter, we will seek to use some of the cash on hand, and sell a few of our holdings, namely BCE and Cognos, as discounts start to emerge. Research In Motion and Potash's vigorous increases mask the overall depreciation of many large cap Canadian equities. As such, at the beginning of 2008, we added a few holdings that were down considerably from their previous peak: Cameco, CIBC Bank, Métro, Rona, and Telus. We believe discounts are only starting to appear, and we are closely monitoring every opportunity that comes our way.

SECTOR ALLOCATION



TOP FIVE HOLDINGS

Securities	Weight
Manulife Financial Corp.	6.3%
EnCana Corporation	5.3%
Royal Bank of Canada	5.3%
BCE Inc.	3.9%
Nova Scotia Bank	3.5%

MAIN DEVIATIONS VS THE INDEX

Overweight		Underweight	
Manulife Financial Corp.	2.0%	Research in Motion Ltd	-3.7%
Shaw Communications	2.0%	Potash Corp of Sask.	-3.2%
Great-West Lifeco	1.9%	CIBC Bank	-1.6%
EnCana Corporation	1.8%	Canadian Oil Sands Trust	-1.3%
Astral Media Inc.	1.7%	TD Bank	-1.3%

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