

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

Over the last quarter of 2007, financial markets continued to experience high levels of stress and volatility triggered by a series of multi-billion write-downs of credit exposure by blue-chip banks like of UBS, Deutsche Bank, and Citigroup. Further headwinds emerged in the form of increasing energy prices and the euro reaching a record high against the USD. Action taken so far by central banks did not succeed in calming the market worries about the negative repercussion of a possible U.S. recession.

For the fourth quarter, the MSCI World Index declined 3% in Canadian dollar terms. Over the same period, the cyclically heavy Swedish and Irish Indexes registered double-digit losses, the U.S. was down 3.8%, Europe fell 1.1%, and the Pacific region plunged 4.6%. Only four sectors finished the quarter in positive territory: Utilities, Energy, Consumer Staples, and Telecommunications. The weakest sectors were Financials, Consumer Discretionary, and Industrials due to their lower levels of visibility and greater vulnerability to an economic slowdown.

PERFORMANCE REVIEW

For the quarter, the portfolio was 156 basis points ahead of its benchmark with the overweight in Consumer Staples and underweight in Consumer Discretionary producing 48 and 52 basis points of this outperformance.

The biggest contributors to the portfolio’s performance were BG Group, Apple, Nintendo, Altria, and Siemens, while laggards were Citigroup, Cisco, and Sandvik.

PERFORMANCE

	3 months	YTD	1 year	4 years	Since inception (2004-06)
Fund ¹	-1.63%	-3.92%	-3.92%	n.a.	3.47%
Index ²	-3.18%	-8.16%	-8.16%	n.a.	4.15%
Added value	1.55%	4.24%	4.24%	n.a.	-0.68%

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

PERFORMANCE ATTRIBUTION VS THE INDEX

Sectors	Attribution (basis points)	Securities	Attribution (basis points)
Energy	-11	Positive	
Materials	-15	BG Group	48
Industrials	-1	Apple Inc.	33
Consumer Disc.	52	Nintendo	27
Consumer Staples	48	Altria Group Inc.	20
Health Care	18	Syngenta	16
Financials	43	Negative	
Technology	25	Sandvik	-30
Telecommunications	5	Trimble Navigation	-29
Utilities	-10	Cisco Systems Inc.	-24
Total equities	154	Ameriprise Financial	-23
Foreign exchange/Liquidity	2	Kurita Water Inds.	-22
Total	156		

Sector attribution includes sector allocation and stock selection. Please note MSCI World ex-Canada data is gross and estimated.

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STRATEGY

All financial markets witnessed continued stress in the fourth quarter of 2007. Headwinds emerging from the declining U.S. housing market, sub-prime mortgage default rates, drying up of liquidity in the commercial paper and CDO/CLO markets, and the rapid decline in private equity M&A activity continue to spook investors. We continue to prefer companies that generate above-average levels of free cash flow and shareholder-friendly deployment of the generated cash. Such companies can be found in the Consumer Staples and Health Care sectors, where the portfolio is overweight.

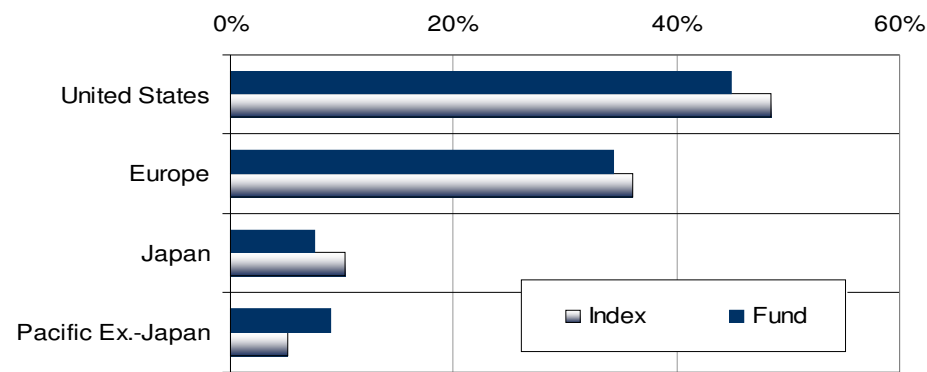
The most important changes of the period were the addition of Nokia and E.ON to the list of portfolio holdings. Also, we slightly reduced the underweight in Financials by adding Standard Chartered. Our positions in CRH, Sandvik, Sumitomo Trust, Orix, and Canon were sold due to their cyclical nature or exposure to the weakening U.S. and Japanese economies. Given the lacklustre outlook for the Japanese economy, the portfolio is underweight Japan.

We expect to remain relatively defensively positioned over the next quarter. Should the global economy continue to show signs of stress and slowdown, we may further reduce our positions in more cyclical sectors. However, if anticipated the Federal Reserve's rate reductions begin to stimulate the economy and the banking cycle improves, we may reduce the portfolio's large underweight in Financial stocks.

TECHNICAL CHARACTERISTICS

	P/E	Div.	Net Margin	ROE	Growth Pot.	Net Debt/Equity
Natcan	19.7X	1.8%	10.6%	21.9%	14.1%	26.3%
MSCI World	17.4X	2.2%	7.8%	17.6%	11.0%	37.7%

GEOGRAPHICAL ALLOCATION



TOP TEN HOLDINGS

Securities	Weight
Exxon Mobil	3.2%
Altria Group	2.8%
Nintendo	2.4%
BG Group	2.2%
Apple	2.1%
AT&T	2.0%
Veolia Environnement	2.0%
Stericycle	2.0%
Esprit Holdings	1.8%
Schlumberger	1.7%

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