QUARTERLY BULLETIN

AS AT DECEMBER 31, 2007

NATCAN COPORATE UNIVERSE BOND FUND

Management Approach We favour BBB credit, ABS, and CMBS issuers with maturities of 5 years or less, issuers with low LBO/MBO probabilities, and issuers who provide the most return per unit of risk. We stay away from poor operators and issues that trade at or close to banker's acceptances. Our management approach begins by duplicating the benchmark 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 analyze 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 end the process with real-time management of these deviations by evaluating the risk and expected return of the portfolio.

MARKET OVERVIEW

The positive tone of the credit markets following the U.S. Federal Reserve's surprised 50 basis point cut in late September turned negative in November due to the continued liquidity crisis in the banking system worldwide. In addition to this credit crunch, Q3 results were disappointing as the likelihood of a U.S. recession continues to increase. In such a hostile environment, credit spreads widened significantly. The spread of the DEX Corporate Universe Index widened by 25 basis points during the quarter to finish the year up 125 points. The 2007 widening was the most severe widening since 1985. Unlike the previous crises, the current crisis has affected financial institutions more than other sectors. Faced with growing balance sheets and increasing liquidity needs, banks raised significant amount of capital during the quarter.

The significant steepening of the government yield curve due to the likelihood of an interest rate cut combined with the credit crunch has resulted in a flattening of the credit curve. The continuation of the summer credit crunch resulted in the fourth quarter underperformance of the DEX Corporate Universe Index relative to the DEX Federal Bond Index. The AAA/AA Bond Index also underperformed during the quarter.

PERFORMANCE REVIEW

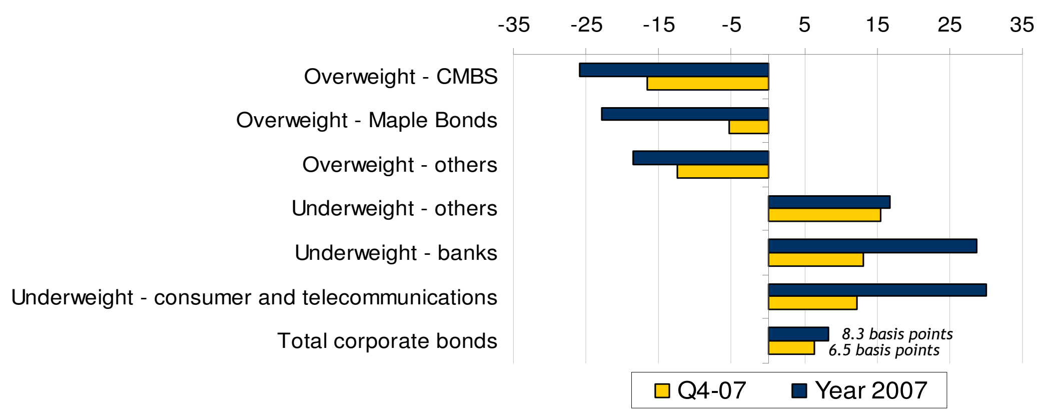
The portfolio generated some value added for the fourth quarter and for the year 2007 in general. Positive contributors include several of the portfolio's underweights, namely with respect to banks, consumer, telecommunications, and infrastructures. Carry trade also had a positive impact on portfolio performance over both periods. Negative contributors came mostly from the portfolio's various overweight positions, more specifically those related to CMBS and Maple Bonds.

PERFORMANCE

	3 months	YTD	1 year	4 years	Since inception (2005-12)
Fund[1]	1.94%	1.87%	1.87%	n.a.	3.21%
Index[2]	1.88%	1.79%	1.79%	4.85%	3.08%
Added value	0.06%	0.08%	0.08%	n.a.	0.13%

1 - Everywhere in this bulletin, the "Fund" refers to the Natcan Corporate Universe Bond Fund.
2 - Everywhere in this bulletin, the "Index" refers to the Scotia Capital Universe Corporate Bond Index.

PERFORMANCE ATTRIBUTION VS THE INDEX



COPORATE UNIVERSE BOND FUND

STRATEGY

At the beginning of the quarter, the portfolio was significantly underinvested in corporate bonds with 8.3% in government bonds. However, with the significant spread widening during the quarter, we gradually redeployed some cash in corporate credits, and ended the year with 2% in government bonds. Notwithstanding the significant spread widening that took place during the fourth quarter, we believe the current economic uncertainty, combined with our expectation of an increase in new issuance activity at spread concession, should keep some pressure on credit spreads over the coming months. The portfolio is primarily overweight Maple Bonds. In Canada, the lack of liquidity for these securities has created opportunities to buy strong multinational companies at attractive levels relative to their trading levels outside Canada and to their respective ratings.

We are maintaining the portfolio's underweight in infrastructures, a sub-sector that outperformed in 2007 and has become expensive relative to the rest of the universe. The largest underweight of the portfolio remains in banks. We are concerned about BMO and CIBC's exposure to the U.S. sub-prime crisis, and await further clarification to reduce this underweight.

Over the coming months, we will reduce our underweight in credit instruments by participating in new issues at favorable pricing relative to secondary trading levels. Financial spreads, especially deposit and subordinated notes, are attractive, which could motivate us to overweight them over the next quarter once the current liquidity crisis shows signs of stabilizing.

TECHNICAL CHARACTERISTICS

Characteristics	Fund
Number of issuers	98
Yield to maturity	5.34%
Average spread (basis points)	148
Average credit rating	A+/A

MAIN DEVIATIONS

Overweight	Fund Weight	Index Weight	Weight Deviation	Fund Duration	Index Duration	Dollar/ Duration
DaimlerChrysler AG	3,37%	0,55%	2,82%	1,431	1,485	0,04
CMACI (TACM mortgages CAD)	2,44%	0,00%	2,44%	1,316	0,000	0,03
REALT (CMBS)	2,43%	0,00%	2,43%	5,963	0,000	0,14
XCEED (TACM mortages CAD)	2,00%	0,05%	1,95%	2,327	1,223	0,05
STARTR (TACM recevables)	1,81%	0,00%	1,81%	2,062	0,000	0,04
Morgan Stanley	1,78%	0,00%	1,78%	3,644	0,000	0,06
Government of Canada	1,69%	0,00%	1,69%	13,164	0,000	0,22
FFAST (TACM auto)	1,96%	0,42%	1,54%	2,730	2,251	0,04
GMAC	1,51%	0,00%	1,51%	0,158	0,000	0,00
Arcelor Mittal	1,41%	0,00%	1,41%	1,144	0,000	0,02

Underweight	Fund Weight	Index Weight	Weight Deviation	Fund Duration	Index Duration	Dollar/ Duration
Bank of Montreal	3,28%	5,83%	-2,56%	4,489	4,376	-0,11
Royal Bank	5,51%	7,97%	-2,46%	4,038	3,750	-0,08
CIBC	2,12%	4,48%	-2,36%	2,520	3,399	-0,10
Hydro One	0,37%	2,55%	-2,18%	7,575	8,954	-0,20
Bank of Nova-Scotia	3,14%	5,14%	-2,00%	5,443	4,083	-0,04
HSBC	0,47%	2,21%	-1,75%	6,648	3,055	-0,04
National Bank	0,00%	1,02%	-1,02%	0,000	4,242	-0,04
Yellow Pages	0,00%	1,00%	-1,00%	0,000	5,923	-0,06
Spectra Energy	0,85%	1,84%	-0,99%	8,238	7,252	-0,06
GENSIS Trust	0,00%	0,95%	-0,95%	0,000	2,565	-0,02

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