

NATCAN U.S. EQUITY FUND

Management 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

The fourth quarter of 2008 saw the finish to the U.S. stock market's third-worst year in more than a century and its worse since 1931. The quarter finished -10.70% in Canadian dollar terms but was greatly aided by US\$ strength and marked by extreme volatility.

In October, the Dow Jones Index enjoyed two of the six biggest one-day percentage gains in its 113-year history, and then gave back all the gains and fell to new lows. Four of the 20 biggest daily percentage declines in Dow Jones history happened in the last four months of 2008.

Financials led the way down in the quarter with a -28% decline, being one of the hardest hit sectors along with Materials and Technology, while once again, defensive areas outperformed with Health Care, Utilities, and Telecommunications all posting positive performance (in Canadian dollars).

PERFORMANCE REVIEW

In the fourth quarter, the portfolio performed roughly in line with its benchmark.

Poor stock selection in Financials and Staples during the year and Financials (Prudential Financial, Bank of America, Ameriprise Financial) and Health Care (Coredien, Allergan) negatively affected the portfolio's relative performance.

In contrast, our stock selection in the Materials sector has significantly contributed to the value added. In addition, the portfolio's overweight in Exxon Mobil, which posted a return of 18 % for the quarter, added 44 points to the relative performance.

PERFORMANCE (\$CAD)

	3 months	YTD	1 year	4 years	10 years
Fund ¹	-10.34%	-23.77%	-23.77%	-4.93%	-4.95%
Index ²	-10.70%	-22.82%	-22.82%	-4.85%	-3.61%
Added value	0.36%	-0.95%	-0.95%	-0.08%	-1.34%

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 THE INDEX

Sectors	Attribution (basis points)	Stocks	Attribution (basis points)
Energy	74	Positive	
Materials	12	Citigroup Inc.	71
Industrials	61	Exxon Mobil Corp.	44
Consumer Disc.	42	General Electric	38
Consumer Staples	12	Yum Brands Inc.	29
Health Care	-63	AT&T Inc.	28
Financials	-70	Negative	
Technology	-23	Prudential Financial	-100
Telecommunications	12	Bank of America Corp.	-99
Utilities	-42	Ameriprise Financial	-57
Total Equities	15	Amphenol Corporation	-54
Foreign Exchange/Liquidity	20	Goldman Sachs Group	-45
Total	35		

Sector attribution includes sector allocation and stock selection.

For more information about Natcan's Funds: 514-871-7600 or info@natcan.com



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OUTLOOK AND STRATEGY

The portfolio is defensively positioned and invested in high quality companies with market leadership positions and limited financial leverage being held across all sectors.

The portfolio is overweight in Consumer Staples and Health Care and underweight in Financials. Our key style bias is large, high quality and defensive with a tilt towards growth stocks which should do well in a market that we expect to see slow down.

We eliminated Bank of America, Goldman Sachs and Prudential. We maintained an underweight position in Financials and concentrated our bets in our remaining positions.

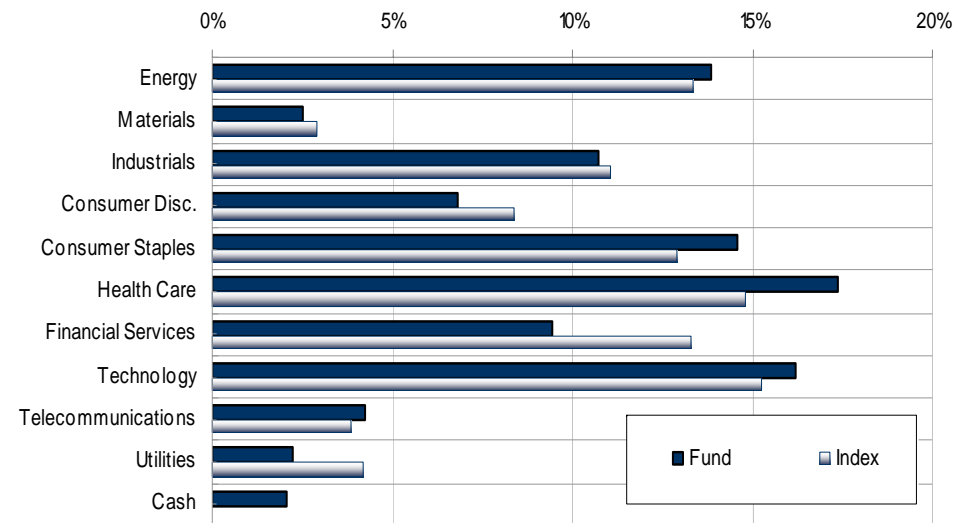
We also added Wells Fargo and March McClennan, as well as defensively positioned and stable businesses such as Waste Management and Automatic Data Processing, as we expect the economy to be slow through most of 2009.

The portfolio will remain defensively positioned but we have started to look for opportunities unfairly punished due to the market sell-off.

TECHNICAL CHARACTERISTICS

	P/E	Div.	Net Margin	ROE	Growth Pot.	Net Debt/Equity
Fund	14.6x	1.8%	12.8%	21.2%	15.6%	30.0%
Index	11.3x	2.9%	8.0%	18.6%	12.5%	42.0%

SECTOR ALLOCATION



TOP TEN HOLDINGS

Securities	Weight
Exxon Mobil Corp.	8,0 %
AT&T Inc.	4,2 %
Johnson & Johnson	4,1 %
Microsoft Corp.	3,5 %
Chevron Corp.	3,4 %
Wal Mart Stores Inc.	3,4 %
Philip Morris Intl	3,3 %
Procter & Gamble Co	3,1 %
JPMorgan Chase & Co	2,9 %
Hewlett Packard Co	2,6 %

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