

NATCAN GLOBAL 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 saw continued significant declines in equity markets globally as investors realized that economic growth is slowing significantly across the world as a result of the significant turmoil in the financial sector. Though central banks and governments have begun to implement countermeasures, the pace and scope of such efforts have varied considerably with the U.S. leading and Europe lagging. Furthermore, it remains unclear if the aggregate size and chosen methods of the remediation efforts will suffice or even be effective. However, the weakening Canadian dollar has softened the impact of declining international markets.

From a geographic perspective, Europe and North America declined around 10% (CAD) while Asia Pacific was essentially flat as a result of strong currencies, most notably the yen. From a sector perspective, Telecommunications and Utilities outperformed with returns of 12% and 4%, respectively while Financials and Materials were the largest underperformers with returns of -23% and -17% respectively.

PERFORMANCE REVIEW

The portfolio modestly outperformed in the quarter as negative stock selection was offset by sector allocation and the performance of cash. Financials were the largest drag on performance, despite a beneficial underweight in the sector. The Industrials sector was the largest positive contributor, largely as a result of positive stock selection.

Note that KDDI was the largest positive contributor as a result of the defensive nature of its cash flows in addition to the positive impact of the stronger yen.

PERFORMANCE (\$CAD)

	3 months	YTD	1 year	4 years	Since inception (2004-06)
Fund ¹	-7.97%	-26.80%	-26.80%	-4.03%	-4.19%
Index ²	-8.55%	-25.57%	-25.57%	-3.45%	-3.34%
Added value	0.58%	-1.23%	-1.23%	-0.58%	-0.85%

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

PERFORMANCE ATTRIBUTION VS THE INDEX

Sectors	Attribution (basis points)	Securities	Attribution (basis points)
Energy	-12	Positive	
Materials	17	KDDI Corp.	52
Industrials	74	Exxon Mobil Corp.	39
Consumer Disc.	32	Citigroup Inc.	34
Consumer Staples	43	Kurita Water Inds.	32
Health Care	-50	AT&T Inc.	25
Financials	-74	Negative	
Technology	-34	Prudential Financial	-99
Telecommunications	18	ING Groep NV CVA	-55
Utilities	-58	Ameriprise Financial	-48
Total equities	-44	Amphenol Corporation	-44
Foreign exchange/Liquidity	102	AXA	-41
Total	58		

Sector attribution includes sector allocation and stock selection.

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OUTLOOK AND STRATEGY

Given continued significant economic uncertainty, we maintain a defensive stance with overweight positions in Consumer Staples and Health Care and underweight positions in Financials as we believe were not yet through the trough of the sectors troubles. The portfolio is also underweight Utilities, where there are currently very few names of interest.

Our most significant holdings relative to the index are Nestle, Exxon, British American Tobacco, KDDI and Roche with the common thread across all five being substantial and consistent positive cash flow which we believe is important in times of acute economic stress.

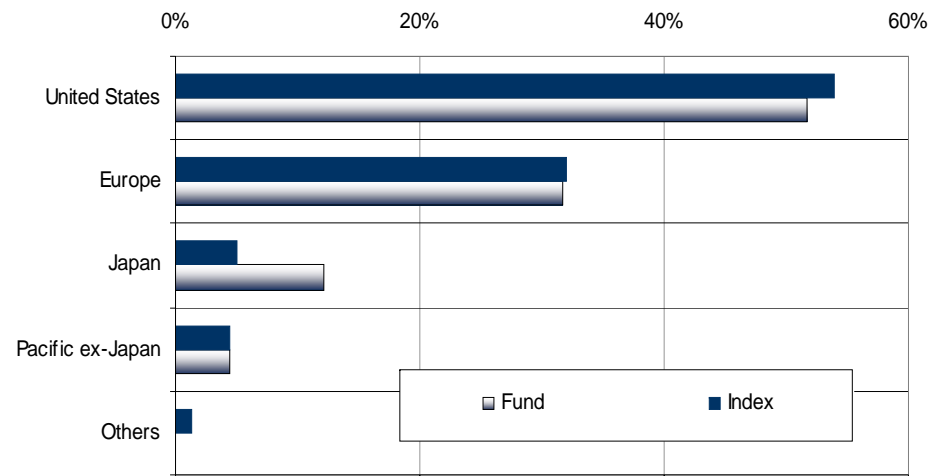
During the quarter the portfolio sold several financial holdings to reduce exposure within the sector. Prudential Financial, Goldman Sachs, Ameriprise, Prudential PLC, Barclays and Standard Chartered were all eliminated. We also eliminated several cyclical names including Target, Schlumberger, Petroleo Brasileiro, Adobe, Walt Disney, and GE.

Over the coming quarter, we may reduce the underweight in Financials should we see reasons to become more optimistic. The overweight in the U.S. might also be reduced should inflation concerns become more apparent. Exploiting selective opportunities among quality names that have suffered disproportionately in 2009 should pay off in the months to come.

TECHNICAL CHARACTERISTICS

	P/E	Div.	Net Margin	ROE	Growth Pot.	Net Debt/Equity
Fund	14.2x	3.0%	12.2%	22.1%	12.8%	33.2%
Index	12.0x	3.8%	7.9%	17.2%	9.4%	42.0%

GEOGRAPHICAL ALLOCATION



TOP TEN HOLDINGS

Securities	Weight
Exxon Mobil Corp.	4.5%
Nestle SA	3.3%
Microsoft Corp.	2.4%
AT&T Inc.	2.4%
Johnson & Johnson	2.4%
Roche Holdings AG	2.3%
Wal Mart Stores Inc.	2.1%
British American Tobacco	2.0%
Chevron Corp.	2.0%
KDDI Corp.	1.8%

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