

Quarterly Bulletin as at December 31, 2009

Natcan U.S. Equity Fund

INVESTMENT 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

Continuing with the year's trend, stocks rose during the fourth quarter. The S&P 500 advanced by 6.0% during the period, with a full 2.8% of that coming in December. With interest rates remaining low and the Federal Reserve indicating that this stance would be maintained until the second half of 2010, investors sentiment was positive.

Despite a bleak employment picture, consumer confidence rose for the second consecutive month in December and economic output data such as manufacturing was generally strong. The index was largely driven by strength in Technology issues, which climbed 10.7%, supported by themes such as Electronics. Also contributing strong performances were the Health Care and Consumer Discretionary sectors. Financial Services was the only sector to end the quarter on the wrong side of the ledger, on concerns about the solidity of the economic recovery and the equity raised by Bank of America and Citigroup. While nine out of the ten sectors managed to end in the black, Consumer Staples, Industrials and Energy stocks did trail the overall market.

PERFORMANCE ANALYSIS

The Fund had a challenging quarter, an outcome that was mainly attributable to security selection.

The Energy sector rallied strongly during the quarter, but security selection impacted returns negatively, and the Fund was unable to keep up with the strong advance. Similarly, selection within the Consumer sectors also hindered returns, as CVS, the Fund's largest holding in the space declined by 7.8%. Other detractors from performance were Bank of America, AES Corp and General Electric.

On the other hand, the Fund did benefit from its exposure to Apple, which proved the best positive contributor, followed by Merck, Oracle and Citigroup.

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

PERFORMANCE (% - CAD)

	3 months	YTD	1 year	4 years	10 years
Fund ¹	1.46	2.20	2.20	-5.11	-5.18
Index ²	4.09	9.17	9.17	-3.16	-4.08
Added Value	-2.63	-6.97	-6.97	-1.95	-1.10

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 INDEX

Sectors	Attribution (basis points)	Stocks	Contribution (basis points)
Energy	-68	Positive	
Materials	13	Apple Inc.	31
Industrials	-17	Merck & Co	23
Consumer Disc.	-63	Oracle Corp.	23
Consumer Staples	-46	Citigroup Inc.	22
Health Care	-4	Microsoft Corp.	22
Financials	4	Negative	
Technology	-19	Google Inc.	-29
Telecommunications	-6	Bank of America Corp.	-22
Utilities	-50	AES Corp.	-21
Total Equities	-256	CVS Caremark Corp.	-20
Foreign Exchange/Liquidity	-5	General Electric Co	-20
Total	-261		

Performance attribution includes sector allocation and stock selection. In green: not a portfolio holding.



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OUTLOOK AND STRATEGY

Although the degree of the recovery is still uncertain, it is clear that the actions taken to stem the economic fallout from the crisis throughout 2009 by the global central banks and governments have been successful. As such we have moved towards the economic recovery phase of the cycle, an environment that led us to move away from more defensive businesses and expose the portfolio to some element of cyclicality and risk.

During the quarter, several new positions were initiated, namely Warner Chilcott, Noble Corp, Amazon and Medco Health, while others such as Cisco Systems and XTO Energy (which was taken over by Exxon Mobil) were eliminated. Our focus continues to be on strong free cash flow generators, as their competitive edge increases in a credit restrained world, which allows them to invest in R&D, increase planned buy-back programs (e.g. Nestle recently) and/or acquire competitors as others struggle to survive.

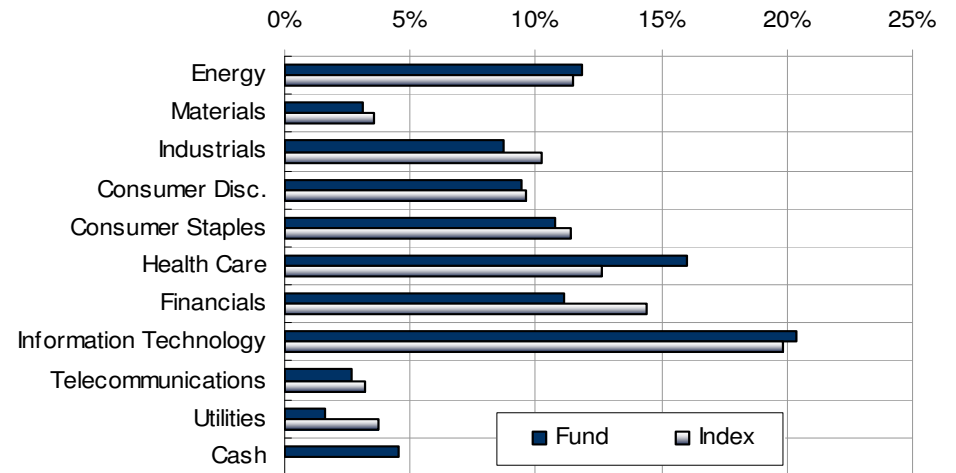
At present such opportunities are found within the Technology sector, as well as in the Industrials and Consumer Staples space. As the valuations of cyclical companies shows signs of softening, we expect high free cash flow generators to outperform.

On the other hand, the biggest risk going forward is that the economy recovers significantly faster than expected and credit conditions ease accordingly. In this environment credit-restricted companies stand to benefit the most and would be most likely to outperform the overall market.

TECHNICAL CHARACTERISTICS

	P/E	Div.	Net Margin	ROE	Growth Pot.	Net Debt/Equity
Fund	17.2x	1.8%	7.6%	20.6%	14.1%	34.9%
Index	18.3x	2.3%	4.3%	17.0%	9.8%	43.8%

SECTOR ALLOCATION



TOP 10 HOLDINGS

Securities	Weight
Microsoft Corp.	4.9%
Apple Inc.	4.9%
Exxon Mobil Corp.	3.8%
JPMorgan Chase & Co	3.7%
Hewlett Packard Co	3.3%
Goldman Sachs Group	3.0%
Philip Morris Intl	2.9%
Merck & Co Inc.	2.9%
Oracle Corp.	2.7%
AT&T Inc.	2.6%

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