

Quarterly Bulletin as at December 31, 2009

Natcan Canadian Equity Fund

INVESTMENT APPROACH: Our approach favours in particular undervalued stocks so as to minimize portfolio risk and preserve capital. Although this approach is usually associated with value investing, we also add a growth component to the portfolio by selecting businesses with an attractive profit-boosting catalyst. By not restricting our approach to a single style, we are able to stage a solid performance in all market phases. Moreover, we offer real active management by not hesitating to maintain sharp deviations. We believe that sector rotations are important, regardless of financial conditions. When warranted, we tend to go against market trends by moving into stocks and sectors shunned by investors. We exercise discipline when buying and selling securities, and we are convinced that it is just as important to avoid disaster as it is to hold star performers for generating spirited gains.

MARKET OVERVIEW

With positive economic indicators and an encouraging outlook, the S&P/TSX posted a performance of 3.86% for the quarter, ending the year up 35.05%. From its market bottom in March, the index has staged a remarkable 57% comeback.

Overall, most sectors contributed to the index's performance, only Financials and Health Care delivered negative returns during the quarter. Expectations of a tighter monetary policy and new regulations concerning bank capital are factors that contributed to the decline in Financials. On the other hand, utilities returned 13.33% for the quarter; the cyclical sectors reacted well to the across-the-board increase in resource prices.

PERFORMANCE ANALYSIS

The portfolio outperformed its benchmark index during both the bear market and the recovery; It also delivered added value for the quarter. Stock selection played a key role in the portfolio's performance.

More specifically, a portion of the added value is attributable to the overweight in the Consumer Discretionary sector - notably Magna, Quebecor and Dorel - and the slight overweight of Consumer Staples - George Weston and Saputo. At the other end, an underweight in Financials - notably Toronto Dominion - was profitable in relative terms.

PERFORMANCE (%)

	3 months	YTD	1 year	4 years	10 years
Fund ¹	4.32	36.77	36.77	5.20	9.41
Index ²	3.86	35.05	35.05	3.90	5.61
Added Value	0.46	1.72	1.72	1.30	3.80

1 - Everywhere in this bulletin, "Fund" refers to the Natcan Canadian Equity Fund.
2 - Everywhere in this bulletin, "Index" refers to the S&P/TSX Index

PERFORMANCE ATTRIBUTION VS INDEX

Sectors	Attribution (basis points)	Securities	Attribution (basis points)
Cash	-18	Positive	
Energy	-60	Magna Intl Inc.	34
Materials	16	Agrium Inc.	28
Industrials	-1	Quebecor Inc.	23
Consumer Disc.	47	Dorel Industries Inc.	21
Consumer Staples	20	Kinross Gold Corp.	21
Health Care	3	Negative	
Financial Services	41	Teck Resources Ltd	-29
Technology	-15	Enbridge Inc.	-23
Telecommunications	-11	BCE Inc.	-19
Utilities	-13	Transcanada Corp.	-17
Total	9	Potash Corp. of Sask	-16

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

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OUTLOOK AND STRATEGY

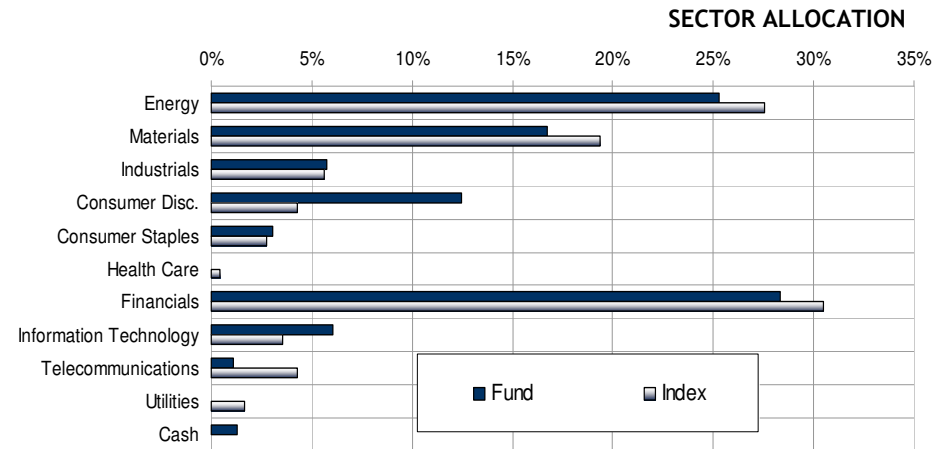
We are bullish about the next few months, but feel that we may have to adopt a more cautious strategy in the future. For the time being, the economic data is encouraging, and monetary authorities remain accommodating. If either of these factors should change, it could jeopardize the stock market's upward trend.

While the recovery has been significant so far, stock markets have a long way to go to fully recoup the losses recorded in 2008 and early 2009. It wasn't so long ago that the most major stock indices lost more than half of their value, historical data shows that the stock market recoveries are inversely proportional to the correction that preceded them.

We made a few adjustments to the portfolio in the quarter, reducing the weight in Materials and in gold by trimming our positions in Barrick, Goldcorp and Yamana. We increased our weight in the Energy sector, notably through the addition of Precision Drilling, and we raised our cash position.

The major cost-cutting programs implemented by many companies in the past two years suggest that the current economic recovery will have a significant impact on corporate profits and stock prices.

In the coming year, we will be watching carefully for changes in U.S. monetary policy and the emergence of any inflationary pressures. These factors could have a decisive impact on the long-term trend for stock markets.



TOP 5 HOLDINGS

Securities	Weight
Suncor Energy Inc.	6.9%
Royal Bank of Canada	5.9%
Bank of Montreal	4.5%
Canadian Natural Resources	4.5%
Barrick Gold Corp.	4.4%

MAIN ACTIVE WEIGHTS

Overweight		Underweight	
Suncor Energy Inc.	2.5%	Toronto Dominion Bank	-4.4%
Magna Intl Inc.	2.3%	Transcanada Corp.	-1.9%
Bank of Montreal	2.2%	BCE Inc.	-1.7%
Quebecor Inc.	2.0%	Enbridge Inc.	-1.4%
Rona Inc.	2.0%	Teck Resources Ltd	-1.4%

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