

# Quarterly Bulletin as at December 31, 2009

Natcan International 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

Markets continued to gather momentum during the fourth quarter, driven by ongoing accommodating fiscal and monetary policies, that tempted investors to allocate additional capital to stocks.

Increasing confidence in the pace and direction of economic activity, as well as generally reasonable valuations further boosted demand for stocks. Economic indicators from around the world continued to improve, confirming a recovery is underway. Though equity market performance was positive in local terms, the strength of the Canadian dollar tamed this performance leaving the index down slightly compared to the end of the third quarter.

The Materials and Consumer Staples sectors led the market higher, while Financials and Technology issues trailed. Regionally, Europe outperformed Asia for the quarter, and this performance gap was amplified by weaker Asian currencies.

## PERFORMANCE ANALYSIS

The Fund's relative performance troughed at the end of the second quarter, and the repositioning efforts of the first semester began to materialize in the second. During the fourth quarter, the Fund outperformed, largely as a result of good security selection. This positive contribution was further amplified by the currency mix resulted from the security election, in particular in the Industrials and Technology sectors. On the other hand, while, adverse security selection within the Financials and Consumer Discretionary sectors hindered performance, while the impact of sector allocation was minimal.

Individually, Hengan International, Rio Tinto and BHP Billiton contributed most on the upside, while ING, Barclays and AXA contributed most on the downside.

## PERFORMANCE (% - CAD)

	3 months	YTD	1 year	4 years	10 years
Fund <sup>1</sup>	0.91	6.93	6.93	-3.00	-0.47
Index <sup>2</sup>	-0.19	11.91	11.91	-1.52	-2.06
Added Value	1.10	-4.98	-4.98	-1.48	1.59

<sup>1</sup> - Everywhere in this bulletin, "Fund" refers to the Natcan International Equity Fund.  
<sup>2</sup> - Everywhere in this bulletin, "Index" refers to the MSCI EAFE Index.

## PERFORMANCE ATTRIBUTION VS INDEX

Sectors	Attribution (basis points)	Securities	Contribution (basis points)
Energy	-18	<b>Positive</b>	
Materials	24	Hengan International	43
Industrials	52	Rio Tinto Limited	37
Consumer Disc.	-31	BHP Billiton Ltd ING	34
Consumer Staples	18	Experian	31
Health Care	-4	Foxconn International	26
Financials	-32	<b>Negative</b>	
Technology	28	Ing Groep Nv Cva	-53
Telecommunications	3	Barclays	-40
Utilities	11	AXA	-21
Total equities	51	Zurich Finl Svcs	-17
Foreign exchange/Liquidity	60	Rio Tinto Plc	-16
<b>Total</b>	<b>111</b>		

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

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### OUTLOOK AND STRATEGY

Economies from around the globe are continuing to rebound, with Asia leading, however, performances across the region remain uneven. In Europe, most countries are exiting recession, but the U.K. is lagging.

During the quarter, we made a few changes that included the replacement of Total with Woodside, the elimination of Luxottica, Essilor and Ace, and the addition of BASF, Santander Brazil and Novo-Nordisk. The reason behind all the deletions was valuation levels, which no longer reflected the future prospects of the respective businesses.

BASF was added for its potential revenue gains from the economic rebound, which we expect will be amplified by the impact of the ongoing and substantial cost cutting program. Woodside was added, as we believe that it could accelerate its revenue growth over the next few years, as development projects come online.

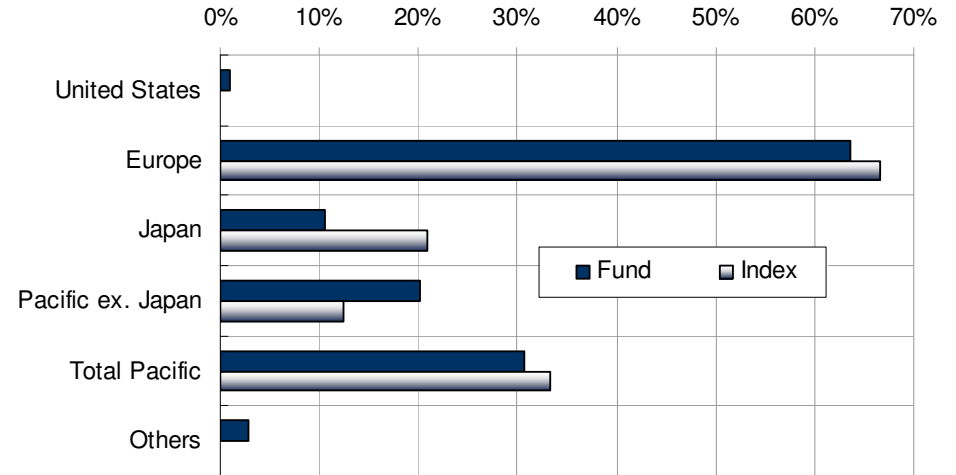
Elsewhere, we initiated a position in Santander Brazil, which will continue to benefit from growing its market share in that country, as well as merger synergies. Lastly, we added Novo-Nordisk, a global leader in diabetes management, as its patient population is expected to continue to grow enhancing the annuity like cash flow profile of this business.

Going forward, exposure to Asia ex-Japan the Australian Financial sector, as well as Chinese domestic consumption may be increased.

### TECHNICAL CHARACTERISTICS

	P/E	Div.	Net Margin	ROE	Growth Pot.	Net Debt/Equity
Fund	14.2x	2.7%	8.5%	18.9%	11.6%	36.4%
Index	13.6x	2.6%	3.9%	13.4%	8.7%	47.3%

### GEOGRAPHIC ALLOCATION



### TOP 10 HOLDINGS

Securities	Weight
BHP Billiton Ltd	4.1%
Royal Dutch Shell	3.5%
Banco Santander SA	3.1%
Roche Holdings AG	2.9%
Telefonica SA	2.9%
Nestle SA	2.8%
Hengan International	2.6%
Novartis AG	2.6%
Experian	2.4%
Schneider Electric	2.3%

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