VAN BERKOM AND ASSOCIATES INC
ET ASSOCIÉS INC

VBA U.S. Small-Cap Equity Product

Second Quarter 2008 Newsletter

VBA's U.S. Pension Fund Composite Ranks 30th Percentile on the Eight-Year Basis,
41st Percentile on the One-Year Basis, and 56th Percentile for the Second Quarter 2008
U.S. Small-Cap Division Wins Account
Review and Outlook for U.S. Small-Cap Stocks

It is again my pleasure to report on the continuing outstanding investment performance results of the U.S. Small-Cap Equity Management Division and to report that the U.S. Small-Cap Division has won a new mandate this quarter from a Canadian based pension fund.

U.S. Small-Cap Investment Performance

The following table shows the investment performance results of the Van Berkom and Associates Inc.'s ("VBA") U.S. Pension Fund Composite for the period ended June 30, 2008 compared with the Russell 2000 Small-Cap Index as well as the S&P 500 Index.

VBA U.S. Pension Fund Composite Results
Time-Weighted Rates of Return
(To June 30, 2008)

	1 Mo. (%)	3 Mos. (%)	YTD (%)	1 Yr. (%)	2 Yrs. (%)	4 Yrs. (%)	5 Yrs. (%)	7 Yrs. (%)	Since 06/30/00 (%)
VBA U.S. Pension Fund	-7.15	1.33	-10.36	-13.20	6.74	8.15	10.93	9.05	11.81
Russell 2000 Index	-7.70	0.58	-9.37	-16.19	-1.22	5.18	10.29	5.63	4.98
S&P 500 Index	-8.43	-2.73	-11.91	-13.12	2.36	4.88	7.58	2.45	0.12
Value Added (VBA U.S. Composite minus Russell 2000)	**0.55**	**0.75**	**-0.99**	**2.99**	**7.96**	**2.97**	**0.64**	**3.42**	**6.83**

NOTE: Van Berkom and Associates Inc. [an entity registered with the Quebec, Nova Scotia, Ontario, Alberta, and British Columbia Securities Commissions as Investment Counsellor and with the Securities and Exchange Commission (United States) as Investment Advisor] has prepared and presented the report in compliance with the Global Investment Performance Standards ("GIPS") of the CFA Institute. The CFA Institute has not been involved with the preparation or review of this report. As at June 30, 2008, the VBA U.S. Pension Fund Composite ("VBA U.S. Pension Fund") totalled US$261.6 million in small-cap assets, which represented 96.1% of the firm's U.S. assets under management and 26.3% of the firm's total assets under management. The VBA U.S. Pension Fund Composite includes six major pension fund accounts. A complete list of the firm's composites and a description of each are available.

U.S. Small-Cap Division Wins Mandate

VBA is pleased to report that it won a new U.S. small-cap mandate this quarter from a Canadian based pension fund. This new mandate was effective April 1, 2008.

Comparative Investment Performance versus Russell/Mellon Universe of U.S. Small-Cap Managers

I have enclosed the comparative investment performance results of the VBA U.S. Pension Fund Composite in the Russell/Mellon Analytical Services ("Russell/Mellon") Universe of U.S. small-cap equity managers. Also enclosed is the risk/reward chart showing the VBA U.S. Pension Fund Composite versus a universe of 189 U.S. Small-Cap portfolios as evaluated by the Russell/Mellon Analytical Services LLC.

VAN BERKOM AND ASSOCIATES INC
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VBA U.S. Small-Cap Equity Product

Second Quarter 2008 Newsletter

VBA's U.S. Pension Fund Composite ranks in the 30th percentile for the eight year period ended June 30, 2008, in the 41st percentile for the one year ended June 30, 2008, and 56th percentile for the quarter ended June 30, 2008.

Review and Outlook of U.S. Small-Cap Stocks

Enclosed you will find the quarterly review and outlook for U.S. Small-Cap stocks that we have sent to our existing clients as at June 30, 2008.

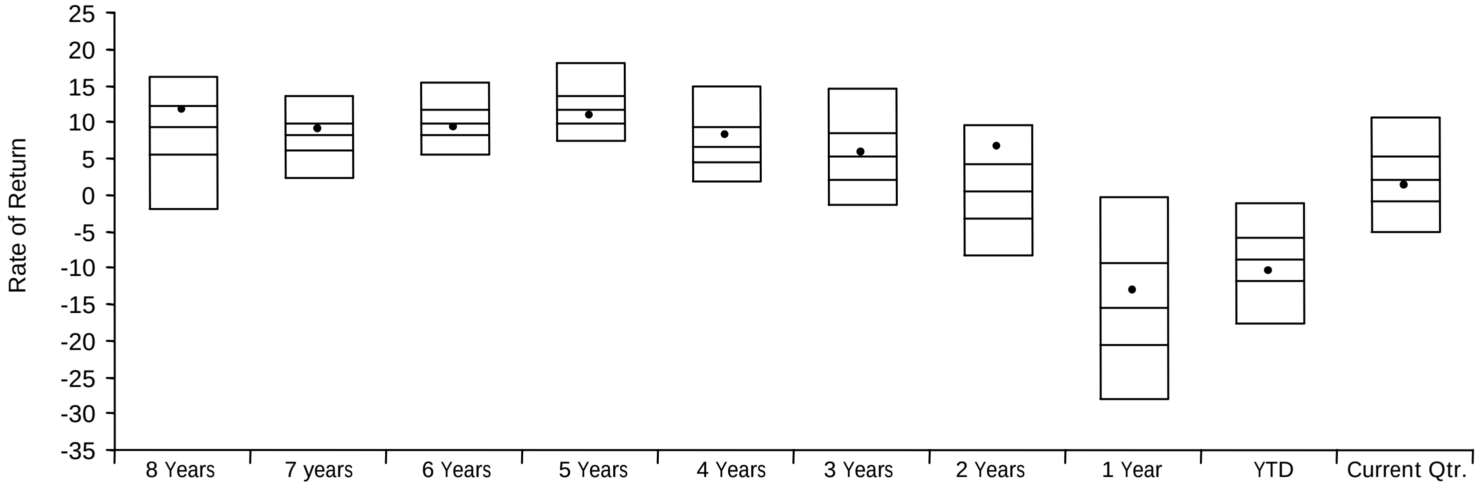
If you would like to learn more about VBA and our U.S. Small-Cap Equity Management Division, please visit us on our web site at www.vbassociates.com or call me at 1 888 VBA-5759, extension 223 or at (514) 985-5759, extension 223, Mathieu Sirois at extension 237 or Benoît Durand at extension 226 or by e-mail at contact@vbassociates.com.

Sincerely yours,

J. Sebastian van Berkom
President and Chief Executive Officer

VBA U.S. PENSION FUND COMPOSITE – RUSSELL/MELLON UNIVERSE

Total Fund: Rates of Return for Periods Ending June 30, 2008



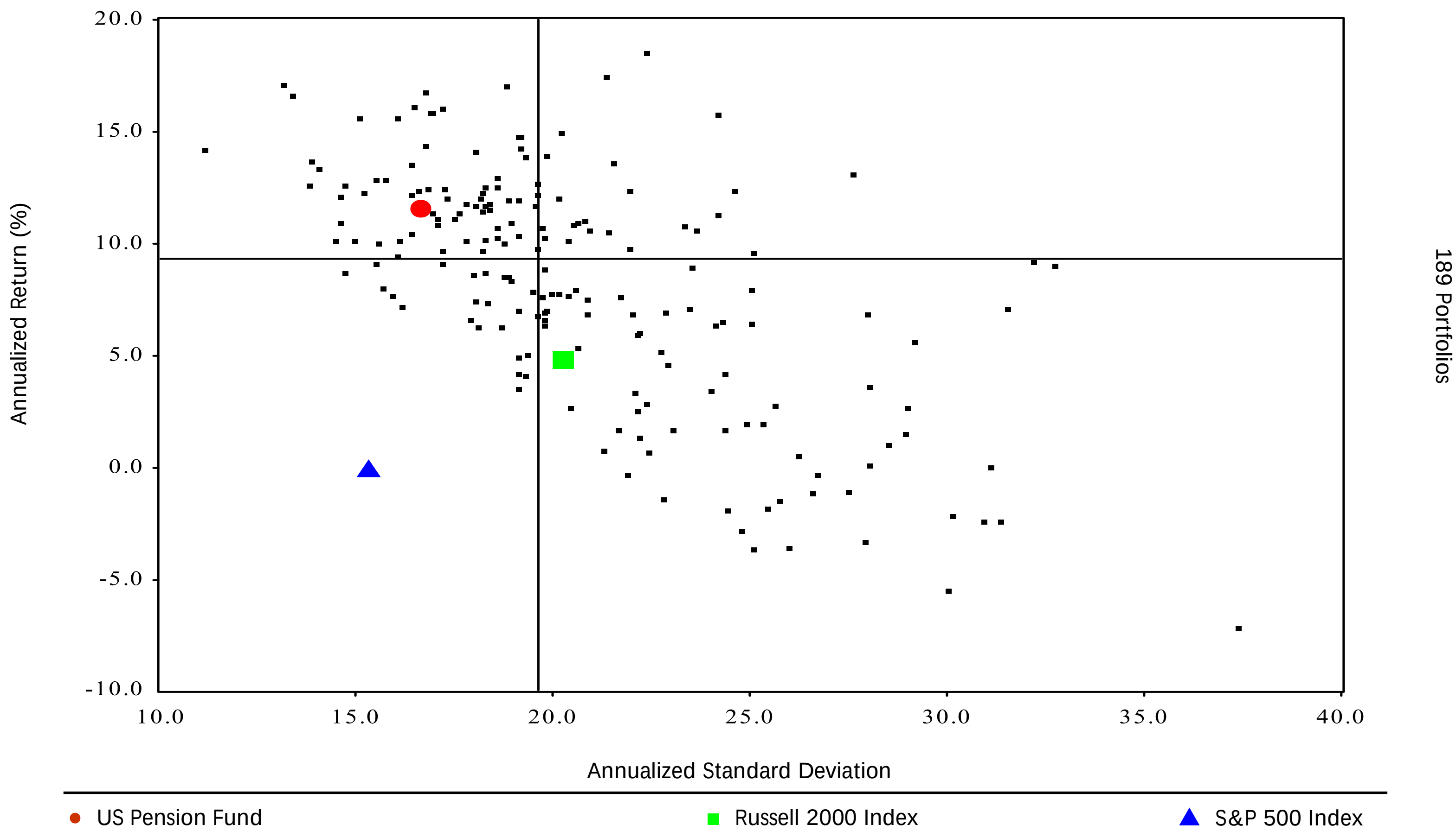
	8 Years	7 years	6 Years	5 Years	4 Years	3 Years	2 Years	1 Year	YTD	Current Qtr.
5th Percentile	16.1	13.6	15.3	18.1	14.9	14.5	9.6	-0.4	-1.1	10.7
25th Percentile	12.2	9.8	11.8	13.5	9.2	8.5	4.3	-9.5	-6.0	5.2
Median	9.4	8.3	9.8	11.7	6.7	5.3	0.5	-15.5	-8.8	2.0
75th Percentile	5.6	6.2	8.1	9.8	4.5	2.0	-3.3	-20.5	-11.8	-0.9
95th Percentile	-1.9	2.3	5.6	7.5	1.9	-1.5	-8.2	-28.0	-17.7	-5.1
VBA U.S. Pension Fund Composite	11.8	9.1	9.3	10.9	8.2	5.8	6.7	-13.2	-10.4	1.3
Russell 2000 Index	5.0	5.6	8.2	10.3	5.2	3.8	-1.2	-16.2	-9.4	0.6
S&P 500 Index	0.1	2.5	6.3	7.6	4.9	4.4	2.4	-13.1	-11.9	-2.7

Note: *Van Berkom and Associates Inc. [an entity registered with the Quebec, Nova Scotia, Ontario, Alberta, and British Columbia Securities Commissions as Investment Counsellor and with the Securities and Exchange Commission (United States) as Investment Advisor] has prepared and presented the report in compliance with the Global Investment Performance Standards ("GIPS") of the CFA Institute. The CFA Institute has not been involved with the preparation or review of this report. As at June 30, 2008, the VBA U.S. Pension Fund Composite ("VBA U.S. Pension Fund") totalled US$261.6 million in small-cap assets, which represented 96.1% of the firm's U.S. assets under management and 26.3% of the firm's total assets under management. The VBA U.S. Pension Fund Composite includes six major pension fund accounts. A complete list of the firm's composites and a description of each are available.*

Universe Source: © Russell Investment Group

VBA US PENSION FUND COMPOSITE RISK/REWARD
US SMALL-CAP EQUITY UNIVERSE

(Eight-Year Period Ending June 30, 2008)



REVIEW AND OUTLOOK OF U.S. SMALL-CAP STOCKS

Market psychology is indeed an extremely fascinating fact of life for investors. We saw a truly telling example of how powerful it can be in the short run in this June quarter. In a formidable twist of mindset, investors pushed up U.S. stocks early in this period, and the market recovered incredibly well in April and May from its first quarter debacle, as if all the problems hurting the economy were about to go away or abate. Investors started behaving as if they thought the market was oversold, the credit crisis was almost through, the housing market would find a bottom soon, the state of the economy would not get worse, and earnings growth for most companies would resume in the latter half of this year and in 2009.

Obviously, none of that wishful thinking was even close to the current harsh economic reality that we have been in and, as a result, that spectacular rebound in the stock market proved to be nothing more than a typical bear market rally. Investors quickly decided to act against this market “head-fake”, and knocked stocks down dramatically once more in June, in light of several economic shocks that have yet to stabilize. Market psychology and sentiment became so sour again in early June that we experienced one of the worst months on record. The market finally caught up with the reality that the U.S. consumer, being crippled with a heavy load of debt and rapidly-declining home values, and having to deal with a much tougher labor market and surging gas and food prices, has been going through a real confidence crisis, as illustrated by the consumer confidence data that has collapsed to a near 56-year low. Along those lines, we are still going through the worst housing downturn in decades, with prices continuing to come down sharply in recent months and with inventory levels that remain stubbornly high.

We wish we could tell you that the financial crisis had shown signs of stabilization but unfortunately there appears to be many more skeletons in the closet. Recently, we learned that a mere 300 billion dollars of commercial construction-related loans with deferred interest payments were still sitting firmly on small- and mid-sized banks’ balance sheets. These loans have not showed up as delinquent yet since their structure is such that no interest payments are due until after the completion of the construction projects. The problem is that several of these projects will never get off the ground or be completed and, therefore, the related loans are unlikely to be fully repaid by the developers. Also, an independent research firm by the name of Zelman and Associates recently estimated that, due to the magnitude of the housing collapse and the breadth of poor lending practices in recent years, banks could charge off as bad debt between 10% and 26% of their loans tied to residential construction and land assets in the next five years, which corresponds to an astounding 65 to 165 billion dollars, compared to about 32 billion (inflation-adjusted) in total during the last housing downturn in the late 1980s and early 1990s. With only 0.7% of their portfolio of such loans written off so far, it is a given that we will go through another wave of massive write-downs in coming quarters, the only question marks remaining are the magnitude of such losses and the number of banks that might go out of business as a result.

As if those significant pressure points on the economy were not enough to derail the views of even the most optimistic market participants, the spike in global inflationary pressures has become a top-of-mind issue to many U.S. companies and to investors. While all companies started the year in an uncertain inflationary environment, and took that into account in their financial guidance, prices of key inputs such as fuel, corn, soybean, petroleum-based products, chemicals, steel and others have continued to rise relentlessly in this June quarter, elevating concerns that most companies will see additional pressures on their margins as a result. In this brutal economic environment, as you can imagine, few businesses have enough pricing power to mitigate most or all of the negative impact that such an inflationary environment has on their margins. We have spoken with numerous companies in recent weeks from a variety of sectors such as industrials, consumer discretionary, medical device, and technology, and they have all cited rising commodity prices as a significant and growing concern to them. The most astonishing piece of evidence of these mounting inflationary pressures this quarter is probably the two subsequent price increases that Dow Chemical recently announced in response to soaring energy prices, first disclosing a 20% hike in its prices, followed by another 25% increase, both of those happening within one month!! The current commodity cycle has in many ways the appearance of another bubble; recent intense lobbying by major pension funds in the U.S. to defend their surging investments in commodity-linked financial products, as they have come under scrutiny for their potential role behind soaring commodity prices, may indicate that we are very near the peak of this cycle.

For many companies, this environment of weak consumer demand, cautious business spending and surging inflation is clearly a perfect storm. When added to that the recent negative earnings pre-announcements from such bell-weather companies as FedEx and UPS, the stage is set for another rocky and ugly earnings season when companies report their financial results for the June quarter in a few weeks. Since Wall Street, in its perennial optimism, has yet to wake up to this brutal environment, we expect continued broad downward earnings revisions to follow such earnings reports, especially for the last quarter of this year and for 2009, where earnings growth estimates for the market remain ridiculously high.

So clearly, that negative market sentiment and the broad market decline have been painful in the past few months. Again, there has truly been no place to hide in this market, with all the sectors having experienced negative returns so far this year, with energy being a notable exception. Contrary to common thinking and historical experience in this kind of market meltdown, small-cap companies outperformed their large-cap brethrens in this June quarter by an incredible 300 basis points, the culprits of that being a much stronger performance from the small-cap energy sector versus their large peers, and a more modest relative decline in the financials small-cap space. Also, initial readings on the performance of mutual funds indicate that active small-cap managers have continued to struggle against their benchmark as they did in the first quarter, since they were left behind by the strong market rally in April and May, only before being caught flat footed by the steep decline in June.

While we never try to chase the market higher or change our strategy based on the whims of the market, and we always stick to a highly-disciplined research process and invest with a long-term view, once again, our portfolio was not immune to such significant volatility and to this broad market decline. While we had several good individual stock performances this quarter in the consumer discretionary, energy and healthcare sectors, those individual gains were somewhat offset by declines in some of our names in the financial, industrial and technology sectors. Nevertheless, we ended this roller-coaster quarter in positive territory and outperformed our benchmark, a welcomed improvement from our tough start to the year.

This negative market psychology has been reigning on this market and driving down most stocks this year. While that has been hurtful in the short run, as long-term investors, we believe that volatility is actually our friend. History has shown that in distressed times for the stock market with extremely high volatility, subsequent long-term returns can be outstanding, if you take advantage of the great investment opportunities that present themselves in such a tough environment. As a result, we think we can earn excess returns and profit handsomely in the long run from the current difficult environment. We firmly believe that buying in the face of turbulence is a very profitable strategy if you identify high-quality companies for which there is disconnect between the real value of the business and the stock price it is trading at. The good news is that we are nine months into this downturn, and with the U.S. stock market down about 20% since its last peak in October of 2007, there has been no shortage of outstanding investment opportunities. We believe that the current stock market environment is the most fertile ground for new investment ideas since we launched our U.S. small-cap fund in June of 2000.

Unfortunately, that notion of high quality businesses being purchased when they are severely under-valued is most probably very abstract to anybody outside of our firm. All you can do when you look at our performance is to look at price changes in our portfolio over any given period of time. Regrettably, outside observers are typically not in a position to assess the intrinsic value of the businesses that we own in our portfolio. Value is obviously a different notion than stock prices, and the greater the gap between price and value, the higher future expected rates of return should be. While several of our holdings have experienced a negative stock price return so far this year, we strongly believe that it has, in most cases, only increased the favorable gap between their current market value and what we consider to be their real value, bolstering future expected returns for these impacted names that we own in our portfolio. A good example of that would be the stock of *LHC Group, Inc*., ("LHC Group") a home healthcare company. That stock was trading at around $24.00 at the start of the year, and that compared to our target price in the low $30s. Following disappointing earnings released in February of this year, the stock tanked severely and continued to drift down for several weeks, reaching a low point of about $14.00 in April. Following a very thorough review of its operations, we came to the conclusion that the value of the business had not been impaired by these lackluster financial results, so we bought a lot more of the stock in that time period where negative sentiment on it reached its climax. While the stock price performance of LHC Group proved to be very costly to us in the first quarter, as our second worst stock in our portfolio, the steep decline in the stock price only exacerbated the gap between its then current stock price and the real value of the business, therefore enhancing our future return prospects on this name. Well, fortunately for us, in the second quarter, with the stock being one of the top five positions in our portfolio, the market reacted very favorably to its next quarterly results released in May and has sent the shares soaring ever since. As a result, LHC Group's stock was up 38% in the second quarter in a flat market, leading the way in terms of positive contribution to our performance, as the gap between price and value narrowed significantly. The positive news is that we think this stock continues to have significant upside in the long run.

While we remain stubbornly bearish on the economy and the stock market as a whole, there are plenty of reasons to be quite bullish about our portfolio. First, we have been able to take advantage of those fantastic investment opportunities that this negative market psychology has brought to us, as we have bought several new positions and more of some of our existing names in a meaningful way. We believe that we have several more situations like LHC Group in our portfolio that should earn us handsome returns once this gap between price and value corrects itself. While we are always working very hard to improve the positioning of our portfolio, the result of our significant efforts to capture these outstanding investment opportunities is very telling: our portfolio is currently trading at its lowest valuation ever. We have worked diligently and relentlessly in the past few months to lower the valuation of our portfolio by selling the most expensive holdings that had performed very well, and by reinvesting the proceeds in high-quality companies that are significantly undervalued, while not trading down on the quality of your holdings. Today, we are on top of a portfolio that is trading at 12 times earnings and 12 times free cash flows, while still sporting a weighted-average return on capital above 20%. While we never get complacent and always come to work with the mindset that we need to improve the portfolio, we think that we have come a long way since last year to reposition the portfolio to withstand a very difficult environment better than most of our peers and our benchmark and to continue to outperform during the next cycle.

The other key area worth highlighting is our high level of cautiousness and conservatism that dictates every single investment decision that we take these days. Ever since there were ominous signs that the U.S. economy was likely to enter a recession and that this situation would likely take us into bear market territory after this extensive bull market of the past several years, we have been taking investment actions with that mindset that we were heading for the worst, regardless of whether the economic environment would actually meet the technical definition of a recession (we prefer to leave out that intellectual debate to economists). So we have been baking in recessionary scenarios for all of our companies more sensitive to the U.S. economy. Even with such conservative estimates built into our financial models, our portfolio is still trading at an incredible 14% discount to its weighted-average intrinsic value, providing us with the largest margin of safety that we have ever had. That conservative mindset is in stark contrast to the extremely optimistic earnings growth forecasts published by Wall Street analysts. Not only is our portfolio trading at a very low absolute valuation, but we believe that on a relative basis, our much lower valuation versus the Russell 2000 is even steeper on a forward-looking basis when our much higher level of conservatism is factored in versus market expectations that form the basis of this benchmark's forward valuation.

With a new U.S. Small-Cap mandate that started in April 2008, and a few more promising business development opportunities, combined with a very low portfolio valuation and the high quality of our holdings, the future of our U.S. Small-Cap product looks very bright and exciting. Our existing and future clients should be the primary beneficiaries of this strong long-term investment success that we are striving to achieve.