

VBA's U.S. Pension Fund Composite Ranks 33rd Percentile on the Seven-Year Basis, 30th Percentile on the One-Year Basis, and 57th Percentile for the First 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 year from a Canadian based pension fund.

U.S. Small-Cap Investment Performance

The following table shows the investment performance results of the Van Berkomp and Associates Inc.'s ("VBA") U.S. Pension Fund Composite for the period ended March 31, 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 March 31, 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 | -3.32 | -11.53 | -11.53 | -7.11 | 1.94 | 8.21 | 14.58 | 11.42 | 12.02 |
| Russell 2000 Index | 0.42 | -9.90 | -9.90 | -13.00 | -4.01 | 5.15 | 14.90 | 7.57 | 5.07 |
| S&P 500 Index | -0.42 | -9.44 | -9.44 | -5.11 | 2.99 | 6.04 | 11.29 | 3.67 | 0.46 |
| Value Added (VBA U.S. Composite minus Russell 2000) | -3.74 | -1.63 | -1.63 | 5.89 | 5.95 | 3.06 | -0.32 | 3.85 | 6.95 |

NOTE: Van Berkomp 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 March 31, 2008, the VBA U.S. Pension Fund Composite ("VBA U.S. Pension Fund") totalled US\$251.8 million in small-cap assets, which represented 96.9% of the firm's U.S. assets under management and 26.0% of the firm's total assets under management. The VBA U.S. Pension Fund Composite includes five 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 year from a Canadian based pension fund. This additional 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 216 U.S. Small-Cap portfolios as evaluated by the Russell/Mellon Analytical Services LLC.

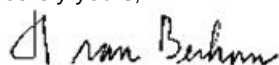
VBA's U.S. Pension Fund Composite ranks in the 33rd percentile for the seven year period ended March 31, 2008, in the 30th percentile for the one year ended March 31, 2008, and 57th percentile for the quarter ended March 31, 2008.

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 March 31, 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.

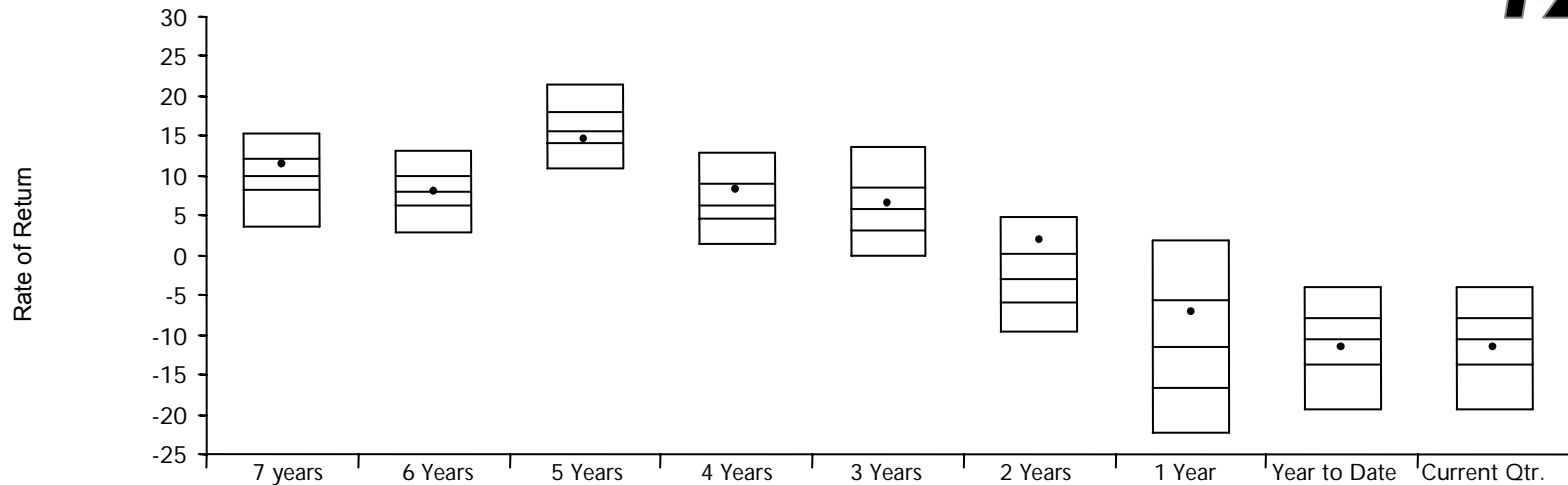
Sincerely yours,



J. Sebastian van Berkomp
President and Chief Executive Officer

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

Total Fund: Rates of Return for Periods Ending March 31, 2008

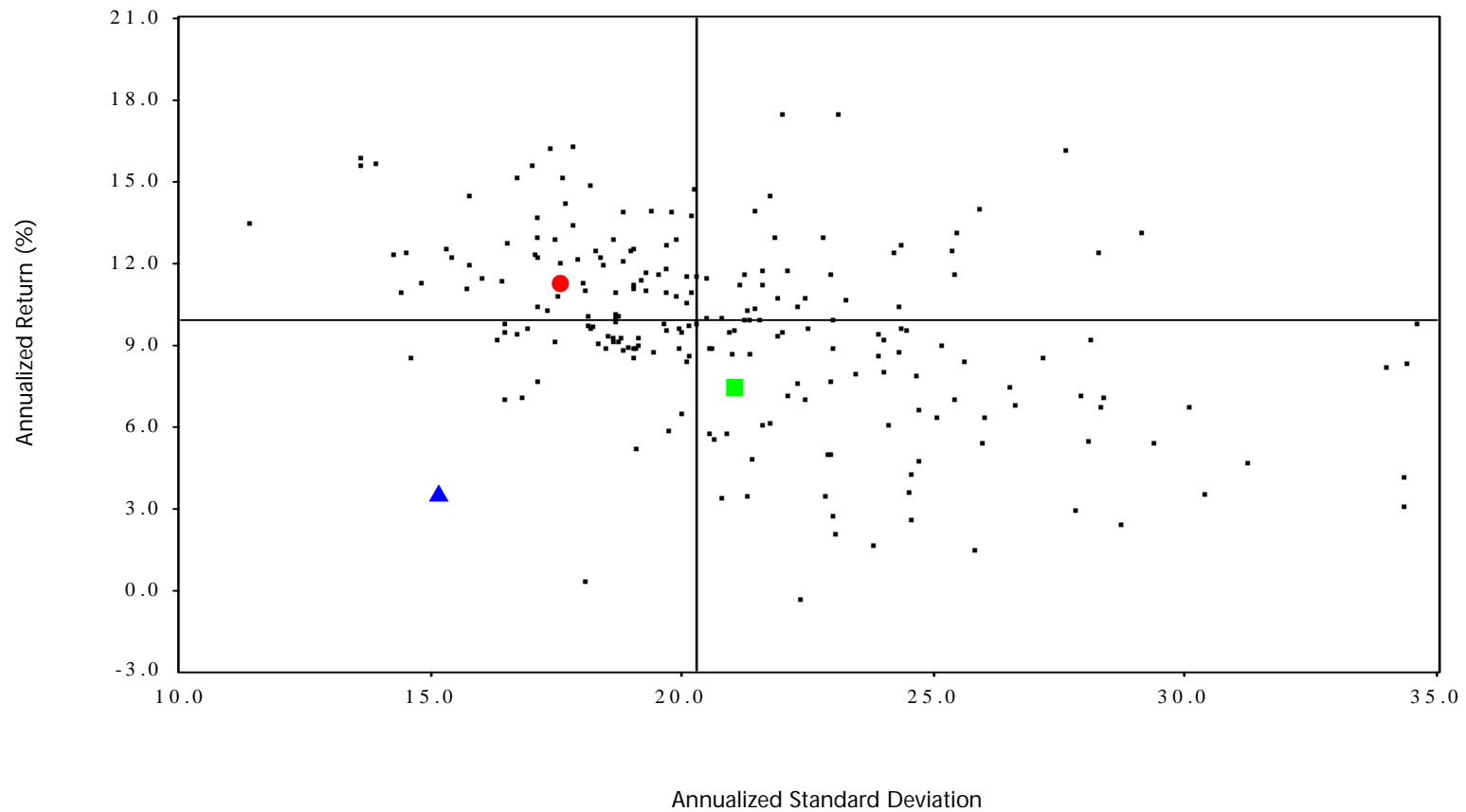


| | | | | | | | | | |
|---------------------------------|------|------|------|------|------|------|-------|-------|-------|
| 5 th Percentile | 15.3 | 13.1 | 21.4 | 12.9 | 13.7 | 4.8 | 2.0 | -4.0 | -4.0 |
| 25 th Percentile | 12.1 | 10.0 | 18.0 | 8.9 | 8.6 | 0.2 | -5.7 | -7.8 | -7.8 |
| Median | 9.9 | 8.1 | 15.7 | 6.3 | 5.9 | -3.1 | -11.6 | -10.5 | -10.5 |
| 75 th Percentile | 8.2 | 6.3 | 14.1 | 4.7 | 3.1 | -6.0 | -16.7 | -13.7 | -13.7 |
| 95 th Percentile | 3.5 | 2.9 | 10.9 | 1.3 | 0.0 | -9.5 | -22.2 | -19.3 | -19.3 |
| VBA U.S. Pension Fund Composite | 11.4 | 8.0 | 14.6 | 8.2 | 6.6 | 1.9 | -7.1 | -11.5 | -11.5 |
| Russell 2000 Index | 7.6 | 6.5 | 14.9 | 5.1 | 5.1 | -4.0 | -13.0 | -9.9 | -9.9 |
| S&P 500 Index | 3.7 | 4.3 | 11.3 | 6.1 | 5.9 | 3.0 | -5.1 | -9.4 | -9.4 |

Note: Van Berkomp 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 March 31, 2008, the VBA U.S. Pension Fund Composite (“VBA U.S. Pension Fund”) totalled US\$251.8 million in small-cap assets, which represented 96.9% of the firm’s U.S. assets under management and 26.0% of the firm’s total assets under management. The VBA U.S. Pension Fund Composite includes five major pension fund accounts. A complete list of the firm’s composites and a description of each are available.

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

(Seven-Year Period Ending March 31, 2008)



● US Pension Fund

■ Russell 2000 Index

▲ S&P 500 Index

Universe Source: © Russell Investment Group
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REVIEW AND OUTLOOK OF U.S. SMALL-CAP STOCKS

Since last summer, there has been one constant theme in this quarterly communication: our bearish stance on the U.S. economy and on the stock market. Interestingly, every quarter since our June 2007 comment, fundamentals in the U.S. have kept getting worse and worse. For one thing, it all started with a steep deterioration in the housing sector, which was first supposed to improve some time in 2008. Well, this downturn is now widely acknowledged to be the worst housing meltdown in many decades, with no significant improvement in sight until 2010. The sub-prime mortgage market became the first derivative casualty of this housing debacle and has since then ceased to exist. But these sub-prime woes could not be contained and started to spread fast to most other segments of the credit markets. There again, what was first referred to as a credit crunch impacting the financing of private equity deals and sub-prime borrowers soon turned out to be, in fact, a deep financial crisis that is the worst to hit the U.S. and global markets in several decades, impacting large segments of the consumer and business markets. With that, a large confidence crisis has lingered, with several areas of the debt markets having been completely shut down and most LBO transactions having been paralyzed.

In conjunction with this credit crunch, we have gone through a few waves of massive write-downs of asset-backed securities, but once again, of increasing significance and breadth, from a few isolated "incidents" to broad-based write-downs across most major financial institutions. The last tally that we saw on that front was a "mere" 216 billion dollars, with any given bank having to show cumulative write-downs of more than 4 billion dollars to have the distinct honor of being ranked in the global top fifteen casualties.

Last but not least, as a direct consequence of the housing meltdown and that severe financial crisis, there is now a broad consensus that the U.S. economy is already in a recession, a theory that the most recent job and manufacturing reports seem to support. Whereas a few months ago, nobody wanted to openly pronounce this daunting "R" word with the fear of jinxing the economy.

Of course, investors have been accustomed to find comfort in the fact that the Federal Reserve will not let the markets and the economy go down without giving it its best shot. This quarter was certainly spectacular from that point of view, as the Federal Reserve was all over the place with multi-faceted and unprecedented actions, in the form of steep cuts to interest rates, increased liquidity made available to financial institutions and, of course, in the dramatic bailout of Bear Stearns. While such efforts by the Federal Reserve may help the U.S. economy to avoid an even harder landing and a worst-case scenario, we are of the opinion that this will prove to be much more of a "band-aid solution" than a permanent cure to this financial crisis. After all, this is not just a liquidity problem impacting financial firms; it is a much broader solvency issue for consumers and businesses as well. So the Fed actions may give the appearance that "the house is back in order"... until, of course, it fuels the next bubble. It is our humble take that the U.S. economy might have been better off, as painful as it would be, to go through a normal cleansing process in the form of some consumer and business failures, something that will not be totally avoided anyway.

In any case, despite the recent spike of enthusiasm demonstrated by investors following meaningful rescues and capital infusions to many troubled financial firms, we much prefer to err on the side of caution than optimism at this stage of the cycle. We think it is pretty much a certainty that the financial world will go through another wave of asset write-downs in conjunction with this first quarter's earnings releases. So the question in our mind is not so much if we have reached a bottom, but how many more skeletons are in this deep closet, and what will be the ramifications and consequences of these on the economy and the stock market. While we do not have an answer for that, we believe that this recessionary environment and the financial crisis we are in should lead to broad downward earnings revisions and, therefore, to some additional selling pressure on the stock market.

Since we feel we might be getting somewhat redundant in our bearish comments about the U.S. economy, we would prefer to draw your attention, for the remaining portion of this quarterly comment, on how we navigate through these difficult times for the market and how we intend to take advantage of the current environment to position ourselves for continued long-term investment success. For one thing, this past quarter was truly a unique and unusual time for the stock markets. We witnessed an incredible blood bath throughout the quarter across world geographies, sizes of companies, business sectors and across the quality spectrum. In fact, only 6 of the top 60 economies in the world experienced a positive return in their local stock market. So, unless you had the vision, the foresight, and, well, the risk tolerance to invest a portion of your global equity portfolio in such exotic markets as Morocco and Pakistan, you most likely saw a decline in your equity portfolio, wherever it was invested. Unfortunately, abnormal times like these destroy such theories as the virtue of global geographic diversification.

Sector-wise, there was truly no place to hide in this quarter in the U.S. stock market, unless you had significant investments in gold and precious metals and in cash and cash equivalents, a luxury that we cannot afford as part of our investment mandate. Except for some pockets within the energy, the trucking, and even the housing sectors, all the major industries in the U.S. had negative returns in the past three months. Looking at individual U.S. stocks, the breadth of the decline was staggering: 568 companies in the Russell 2000 Index (or 28% of the companies) had stock returns of -20% or worse, and 140 companies (or 23%) of the higher-quality S&P 600 Small-Cap Index had a similar fate. Large-cap companies were almost as impacted by this broad-based decline in the U.S. stock market, with 85 companies (or 17% of the total) in the S&P 500 Index posting declines in their stock prices of 20% or greater for the quarter, with such blue-chip companies, from a variety of sectors, such as Microsoft, Intel, Apple, Google, Merck, General Motors, Citigroup, Merrill Lynch, AIG and Motorola experiencing a similar fate.

Also, the stock market activity in recent months was characterized by off-the-chart levels of volatility, with 70% of the trading days so far in 2008 for the Russell 2000 having gone through a greater than 2% swing from intra-day peak-to-trough or vice versa (a record), another tangible evidence of highly unusual times for the stock market. Unfortunately, such bursts of volatility are almost always a negative to the performance of small-caps. Also, interestingly so, contrary to what is typically observed when the market is heading



lower and its breadth is bad, this was a difficult quarter for most active managers against their benchmark, with only about 40% of small-cap portfolio managers beating their respective benchmark on the mutual funds side. Again, unusual times...

Unfortunately, with such an incredible breadth in the U.S. stock market decline, your portfolio was not immune to this broad-based weakness. We believe that we saw some weakness in absolute terms and relative to our benchmark as a result of three primary factors. First, we truly feel that we were the victim of this powerful mean-reversion phenomenon since the start of the year. We experienced such a high level of out-performance in 2007 and we had so many individual stocks that were big winners that, while we locked in a lot of these significant gains that we achieved in the previous year, we had to hold on to some of our highest-quality names in order to remain fully invested. Unfortunately, some of these out-performers have given back some of their outsized gains this year and have reverted back to more normalized returns, despite continued solid performances from those companies. Also, a handful of our names delivered lacklustre earnings in the most recent quarter and such stocks were punished dearly by the market as a result. In a bear market like this one, the margin of error for all the companies is very low, and investors will almost inevitably overreact to disappointing news. While we believe that there is no change to the long-term strong fundamentals of the companies that reported sub-par results and that the market overreactions to those have presented us with incredible buying opportunities, it was nevertheless costly in the short term. Lastly, shockingly to us, our relatively low exposure to interest rate-sensitive financial stocks has hurt us in this quarter, as the financial industry has been one of the best performing sectors in recent weeks. There again, we would rather err on the side of caution, and not try to chase some of these stocks, as we have a hard time believing that such a deep financial crisis would be so short in duration and already all discounted in the stock prices of financial firms.

Finally, this may be one of the most overused *clichés* in the business world, but we truly believe that challenging stock market times like these present great opportunities. Hence, in recent months, we have been working very hard to lower the valuation multiples of your portfolio and to further improve the quality of the names that we own. We believe that we have been achieving tremendous success on both of these fronts by selling our most expensive stocks and the ones most at risk in this recessionary environment and by taking large positions in high-quality companies that have become significantly under-valued as a result of this market meltdown. The result of these efforts is very telling: our VBA U.S. Small-Cap Composite Fund now has the lowest valuation since the post-September 11 days and since the last stock market bottom of October 2002. Also, for the first time really since we started our U.S. Small-Cap Fund in 2000 (when small-caps were deeply out-of-favor) as well as since the last market bottom, we are able to find several great investment ideas through this market turmoil.

Therefore, with these investment actions that we have been taking, we have been positioning your portfolio for continued success in coming years. In these somewhat chaotic times, we have not been trying to time the bottom in the stock market, nor have we been caught up in steep sector rotation manoeuvres that we have witnessed. Rather, we have kept focusing on our core competencies and have religiously stuck to our disciplined and thorough research process. We will only buy stocks of companies that are of high quality, with clean balance sheets, and that are significantly under-valued. These are truly exciting times for stock pickers.