

VBA WINS ANOTHER U.S. SMALL-CAP MANDATE
VBA U.S. SMALL-CAP DIVISION WINS ANOTHER MANDATE

VBA is pleased to report that it was awarded another U.S. small-cap mandate from a prestigious Montreal-based institution (Musée des beaux-arts de Montréal). This new mandate was effective May 1, 2010.

U.S. SMALL-CAP INVESTMENT PERFORMANCE

It is again my pleasure to report on the continuing outstanding investment performance results of the U.S. Small-Cap Equity Management Division.

For the periods ended March 2010, VBA's U.S. Small-Cap Pension Fund Composite Ranks:

- 13th Percentile on the Nine-Year Basis,
- 12th Percentile on the Five-Year Basis,
- 4th Percentile on the Three-Year Basis, and
- 28th Percentile on the One-Year Basis.

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, 2010 compared with the Russell 2000 Small-Cap Index as well as the S&P 500 Index.

VBA U.S. Pension Fund Composite Results
Total Time Weighted Rates of Return
Annualized for Periods Greater than One Year
(To March 31, 2010)
(in US dollars)

	3 Mos.	YTD	1 Yr.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.	7 Yrs.	8 Yrs.	9 Yrs.	Inception
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	June/30/2000
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
VBA U.S. Pension Fund Composite	11.74	11.74	71.93	11.04	4.63	6.40	8.36	13.56	8.78	11.33	11.82
Russell 2000 Index	8.85	8.85	62.77	0.86	-3.99	-1.61	3.36	10.70	5.09	6.04	4.19
S&P 500 Index	5.39	5.39	49.77	-3.71	-4.17	-0.39	1.92	6.80	2.23	2.01	-0.40
Value Added (VBA minus Russell 2000)	2.89	2.89	9.16	10.18	8.62	8.01	5.00	2.86	3.69	5.29	7.63

NOTE: Van Berkomp and Associates Inc. [an entity registered with the Quebec, Nova Scotia, Ontario, Alberta, and British Columbia Securities Commissions as Portfolio Manager 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, 2010, the VBA U.S. Pension Fund Composite ("VBA U.S. Pension Fund") totalled US\$336.79 million in small-cap assets, which represented 76.0% of the firm's U.S. assets under management and 33.1% of the firm's total assets under management. The VBA U.S. Pension Fund Composite includes eight major pension fund accounts. A complete list of the firm's composites and a description of each are available.



COMPARATIVE INVESTMENT PERFORMANCE VERSUS THE RUSSELL INVESTMENT GROUP 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 Investment Group Universe of U.S. small-cap equity managers. Also enclosed is the risk/reward chart showing the VBA U.S. Pension Fund Composite versus the Russell Investment Group Universe of 177 U.S. Small-Cap portfolios as evaluated by BNY Mellon Asset Servicing.

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

Enclosed you will find the quarterly review and outlook for U.S. Small-Cap stocks for the first quarter 2010.

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 (514) 985-5759, extension 223, or Mathieu Sirois at extension 237 or by e-mail at contact@vbassociates.com.

In the case of U.S. domiciled consultants and sponsors, please contact Richard A. Murphy or H. Alex Winters of North Bridge Capital, who represent VBA in the U.S. as our third party marketing organization. You may contact them by telephone at (617) 573-0011 or by email at rich@northbridgecap.com or alex@northbridgecap.com.

Sincerely yours,

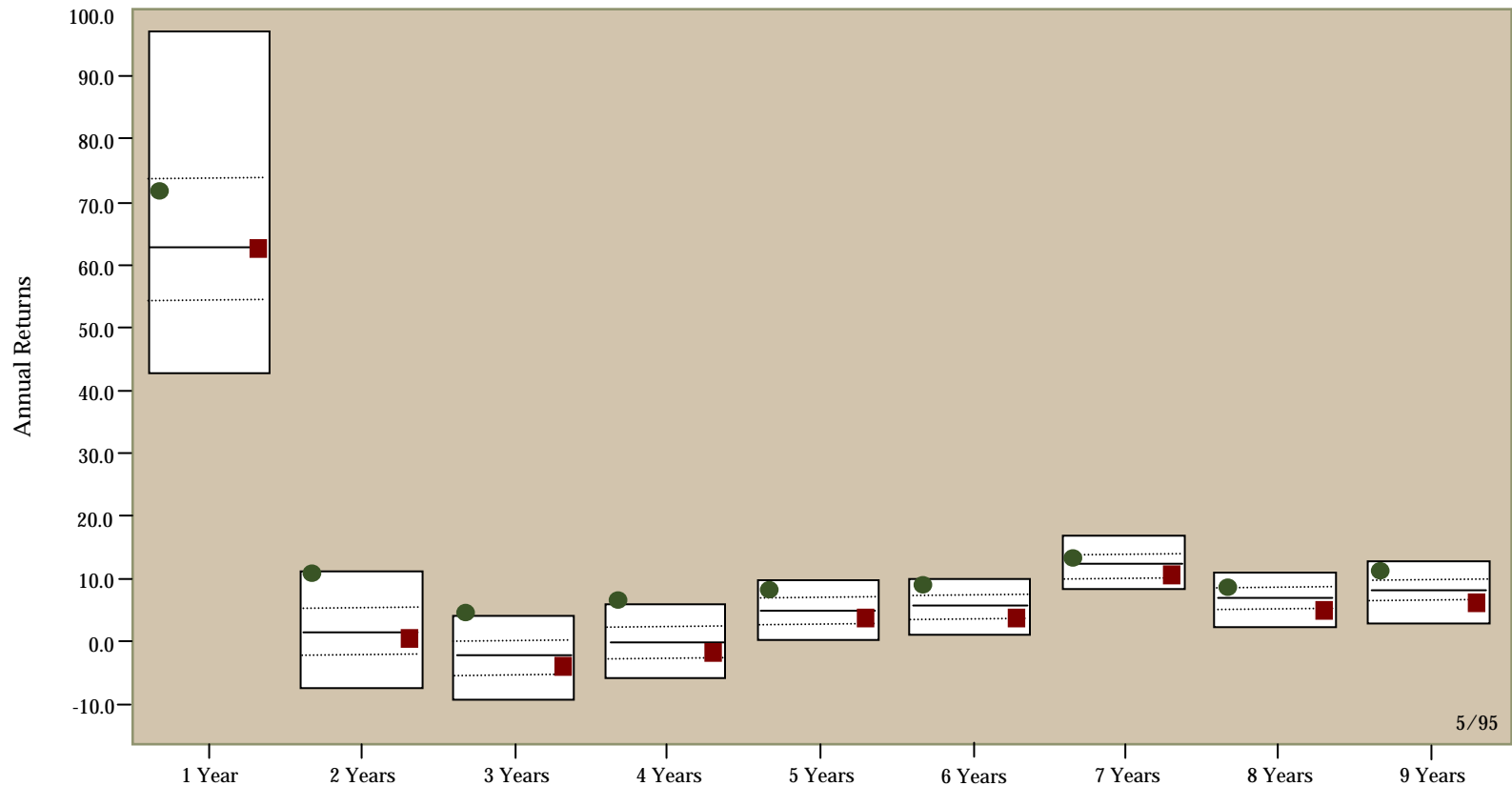
J. Sebastian van Berkomp
President and Chief Executive Officer

PERFORMANCE OF THE VBA U.S. PENSION FUND COMPOSITE VERSUS RUSSELL INVESTMENT GROUP



Small-Cap Equity Universe

Rates of Return for Periods Ending March 31, 2010



5/95

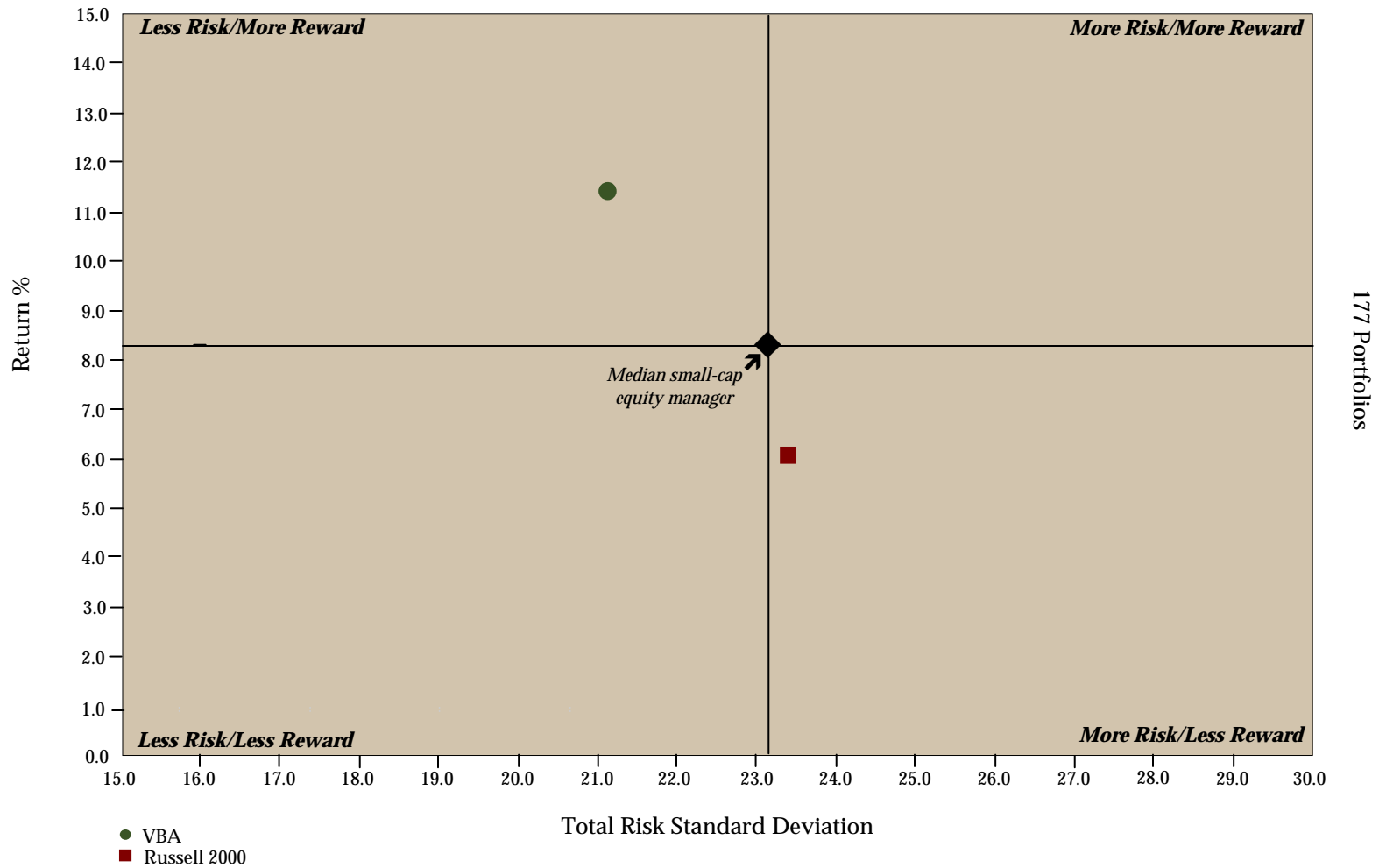
	Value	% tile	Value	% tile	Value	% tile	Value	% tile	Value	% tile	Value	% tile	Value	% tile	Value	% tile	Value	% tile
● VBA U.S. Composite	71.9	28	11.0	6	4.6	4	6.4	4	8.4	12	9.1	10	13.6	32	8.8	22	11.3	13
■ Russell 2000 Index	62.8	52	0.9	58	-4.0	66	-1.6	67	3.4	68	3.7	76	10.7	70	5.1	79	6.0	81

Universe Source: Russell Investment Group

RISK/REWARD OF THE VBA U.S. SMALL-CAP PENSION FUND COMPOSITE VERSUS THE BNY MELLON UNIVERSE



Small-Cap Equity Universe Risk / Reward 9.0 Years Ending March 31, 2010



Performance figures are gross of fees. Source: Universe Source: Russell Investment Group



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

Needless to say, it has been another very solid quarter for U.S. equities. Once again, the “risk trade” paid off handsomely in the most recent period, with lower-quality securities outperforming higher-quality names across asset classes and geographies. In their sustained quest for higher returns, investors continued to exhibit a strong appetite for low quality assets and therefore to chase higher risk securities and bid up their price. Hence, within the U.S. stock market, despite a relative underperformance in earnings growth for a fourth consecutive quarter, small-cap companies continued their dominance, significantly outpacing the returns achieved on large-cap stocks.

While some perennial bullish market participants point to: 1) outflows in equity funds, 2) relatively low trading volumes on U.S. stocks, and 3) the cautious sentiment expressed by many investors in surveys as clear indications that the market has a lot more room to keep expanding since bullish sentiment has yet to reach a high point, to us, the mere fact that we have been in an unstoppable, ferocious, straight line stock market rally for so many months tells the story and makes it quite clear that the consensus among investors and market observers is decidedly extremely bullish and fairly homogenous. Virtually no economist or market strategist that we know of is calling for a double-dip recession at this point, and most forecast a steady worldwide recovery with no assumption of significant shocks along the way.

While we have no reason to question the evidence surrounding the thawing of the worldwide economy, we are certainly amazed at the fact that investors’ mood has remained largely unfazed by the mixed or concerning data from some key segments of the economy. We certainly do not have to dig deep to uncover a fairly extensive laundry list of problematic issues that the U.S. economy still needs to deal with, such as the high level of household indebtedness, the still shaky housing market, the very high unemployment level, the weak commercial real estate market, the upcoming withdrawal of some extraordinary government programs to help the economy (such as the tax credit to first-time home buyers, the Federal Reserve’s purchase of mortgage-backed securities and the COBRA subsidy to help employees that have lost their job keep their health insurance), the rapidly deteriorating state and local budgets, the ballooning federal deficit, and the precarious financial health of several European countries, just to name a few items that make us still somewhat uncomfortable about the health of the global economy. Also, we are quite wary of the apparent poor state of the middle market economy in the U.S., in which small and mid-sized businesses operate. Several independent research reports and surveys emphasize that these small companies are still plagued by lackluster sales, intense competition and pricing pressure, increased regulation and taxes, and limited access to credit. That is especially troublesome considering that it is such smaller businesses that create most new jobs in the U.S. There seems to be a growing gap and disconnect between the haves and have-nots, as the largest companies in the world now have good access to capital and global operations that benefit from much stronger recoveries in emerging nations, but the small and mid-sized businesses are still struggling as they try to survive and come out of this deep recession.

Obviously, most investors do not seem to share our concerns, as such lingering issues have not been an impediment for the stock market to keep climbing higher and higher in search of new highs. Seemingly, investors are confident and bullish enough to price in a steady and fairly robust economic recovery, as they value many companies on 2011 or 2012 earnings estimates that are in almost all cases dramatically higher than the current run-rate. In light of the sore spots in the economy, we continue to believe that such behavior by investors is highly imprudent, as the room for disappointment keeps growing every day as investors discount the current recovery far out into the future already and as expectations for earnings recovery keep rising.

Some cheerful market observers are also pointing toward increased CEO confidence as an additional bullish signal for the market. Since it is an essential part of our due diligence process, a unique way for us to identify true gems in our small-cap market and to further develop and maintain our edge in knowledge of our companies, we have once again met with or spoken to a large number of companies in our universe this quarter that helps us form our own opinion on this issue of CEO sentiment. While our conversations with management teams are clearly indicating that the mood in corporate America

has improved, as further evidenced by less constrained capital spending for most if not all businesses, it seems to us that this greater level of confidence has more to do with the point of comparison from last year than outright optimism. Indeed, executives are cheerful that 2009 is past them, and they could not be more thrilled about the very low hurdles presented by revenue and earnings comparisons from last year, especially in this first half. Hence, it is easy for management teams to feel better about their business after what they just went through last year. However, few CEOs that we have spoken to have yet to exhibit full confidence in the strength and outlook for the economy and for their industry. Few executives are ready at this point to pound the table on a sustained, strong rebound in the macro environment, with several of them indicating that it was still too early to tell whether the improving trends that they have enjoyed lately have more to do with a sustainable improvement in the fundamentals of their business versus simply an inventory replenishment phenomenon or some short-term pent-up demand.

In any case, as we are quick to point out, we are quite happy that we do not make a living based on our economic and stock market forecasts. As even though we have remained overly cautious about the U.S. economy and its potential ramifications for the stock market, and therefore we have been wrong about the short-term direction of the market and the magnitude of this rally, we have once again outperformed all U.S. indices this quarter by a fairly wide margin, demonstrating anew that we do not let our macro considerations get in the way of our stock-picking efforts, and that we can outperform our benchmark in a wide variety of market environments. In this March 2010 quarter, we are especially thrilled to have significantly outpaced the return of our benchmark for two key reasons: it has been another difficult period for active managers in the small-cap universe, and it has been a highly unfriendly and unfavorable market environment for our investment style and philosophy. As we mentioned earlier, it is the low-quality, low return on equity, low market capitalization, high beta, non-earners, and low price stocks that have continued to outperform and fuel the rally in our universe. Hence, most stocks that we typically screen out of our research efforts for lack of fit with our philosophy performed admirably well in this first quarter.

However, several drivers have enabled us to stem the tide and defeat this junk rally. First, as we have said before, it is difficult to beat the market in such a huge and exuberant rally without broad outperformance from a majority of our holdings. Hence, we were fortunate to have as many as 21 stocks in our portfolio that registered absolute gains of more than 10% in the period, and only 7 stocks that ended the quarter in negative territory. More specifically, we also had the luxury of having seen two of our holdings becoming the subject of an acquisition transaction year-to-date. As we highlighted last quarter when we revealed the very substantial positive impact on our performance in the December 2009 period from the acquisition by two private equity firms of one of our largest positions, IMS Health Incorporated, we thought that our portfolio, as the credit markets were showing signs of thawing and the number of M&A transactions from strategic acquirers started to increase rapidly, was ripe for other take-out transactions in the next several months. Since our portfolio companies are typically very strong businesses with sustainable competitive advantages that generate strong free cash flows and high returns on capital, and exhibit a healthy balance sheet, they become prime acquisition candidates in a warming M&A environment.

That prophecy proved prescient in this quarter, as we were fortunate to witness the announcement of the potential sale of Interactive Data Corporation (Interactive Data) to a financial or a strategic player. The company, which is the stock that we have owned the longest in the portfolio (a holdings since 2000), is a provider of essential financial market data, analytics, and solutions to financial institutions and is majority-owned by Pearson plc, a large publishing company in the education, business and consumer fields. For many years, Interactive Data had been a core holdings in our portfolio, as we admired the strong moat around the company's core offering, its strong management team with demonstrated skills in capital allocation, its fortress-like balance sheet, its high level of recurring revenues, its strong customer retention rates, and its very appealing financial returns. We had long concluded that at some point in time, Pearson plc would look to either acquire the remaining interest in Interactive Data to have access to the company's strong free cash flows, financial returns and growth prospects, or would decide to sell its stake in the business to monetize the very strong value of Interactive Data's assets. More than nine years after our initial investment in the company, this prognostic finally came to life, as Interactive Data's board of directors announced in January of this



year that it would be exploring strategic alternatives, which is really, in this case, only one alternative: the sale of the company. While the outcome of this process could not be predicted and could not guarantee the sale of the company, the financial press soon after started to leak information that several private equity firms and at least one strategic acquirer had expressed high levels of interest in acquiring the company and had submitted bids. Any “bidding war” is obviously a great thing for shareholders in such a situation and clearly demonstrates the appeal of Interactive Data’s franchise. Even though no deal has been announced yet, this positive development drove the stock up more than 26% in this quarter, a great outcome for us indeed.

As if this event around Interactive Data was not already the icing on the cake, just a few days later, Broadview Security, another one of our holdings, announced a friendly acquisition proposal from Tyco International Ltd., owner of ADT Worldwide. Broadview Security, formerly known as Brink’s Home Security Holdings, Inc., a leader in providing security alarm systems and monitoring services to 1.4 million customers, has truly been a dream case scenario for us. We bought the stock in late 2008 in the low \$20, thinking that this newly spun-off entity from The Brink’s Company (“Brink’s Co.”) was misunderstood and undervalued by the market, with a fair value closer to \$30. As we thought when we initiated our position in this stock, this business, enjoying significant levels of recurring revenues, very high client retention rates and tenured relationships with customers, demonstrated its resiliency in this deep recession. Also, its management team proved to be a shrewd operator in this difficult market environment, notably successfully executing the first phase of a tricky rebranding strategy that it had to go through following the spin-off from Brink’s Co. These factors led to increased investors confidence in management and in the business model, as they cheered the company’s consistent results by bidding up the stock toward our measure of the true intrinsic value of the business. Just as we thought that the stock was becoming fairly valued in the low \$30, the dominant company in the security alarm system industry, ADT Worldwide, stepped up to the plate to continue its consolidation activities by making an offer to purchase Broadview Security for a premium of over 30%. Since this is a strategic acquirer with already significant scale, a strong brand and a large overhead structure, Tyco International Ltd., the owner of ADT Worldwide, was able to offer much more than what the business was worth as a stand-alone entity by capturing the significant synergies associated with its purchase of Broadview Security, hence offering us immediate additional upside in the stock that would have likely taken us much longer to achieve if it would have remained an independent company. Hence, the acquirer in this case will be able to get rid of a fairly substantial portion of Broadview Security’s existing cost structure (corporate overhead infrastructure, sales force, marketing expenses), locking in more profits than what the acquiree was able to generate on its own. As a result of this acquisition premium offered to shareholders, the stock was up about 30% this quarter, and we ended up doubling our money in this name in less than 18 months.

This significant level of outperformance from Interactive Data and Broadview Security was especially satisfactory considering that these two companies, due to their nature as late cycle, defensive businesses, would have very likely underperformed the market in the first quarter by a wide margin without these significant events, as this rally was driven by low-quality early cycle businesses, the exact opposite of what these two companies are.

Also, the performance of our portfolio in this March 2010 quarter clearly benefited from our significant exposure to high-quality consumer discretionary companies, who have remained among investors’ favorite names to own in this market rally and who have enjoyed improving business fundamentals in recent months. Hence, the stocks of Saga Communications, Inc., True Religion Apparel, Inc. (a very recent addition to our portfolio in December 2009), Sotheby’s, Tempur-Pedic International Inc., Interval Leisure Group, Inc., and Fossil, Inc. all went up by more than 12% in the most recent period (and in some cases, enjoyed returns significantly above that level). We also continued to benefit from increased clarity around healthcare reform in the U.S., as a landmark health overhaul was passed into law very recently. This was clearly the political highlight of the quarter, and while we have significant concerns whether this reform of the healthcare system is indeed good policy, we continue to believe that this is a clear positive for healthcare stocks, as it removes a significant cloud of uncertainty and provides much needed long-term visibility on reimbursement for most sub-sectors. Lastly, the good financial performance reported by the majority of our holdings as they released year-end results provided another catalyst to our outperformance in this quarter. We saw improving fundamentals and



business trends across the board in the different sectors to which we are exposed, and the management teams of our portfolio companies once again demonstrated their ability to exploit their competitive advantages in their marketplace, gaining market shares, generating strong free cash flows and delivering on our expectations for good margin improvement or solid cost controls.

Also, we believe it is quite noteworthy to mention that we were able to significantly outperform our benchmark in this most recent quarter despite the underperformance from several of our top ten positions. Hence, five of our ten worst stocks for this period belong to the top ten weights in our portfolio, with four of those stocks achieving a negative return in the first three months of the year. Rather than dwell on that sub-par performance from a few of our core holdings and worry about that, we view this short-term underperformance as a bullish signal for our portfolio for future periods. Hence, we believe that this slow start to the year from a few of our top ten positions implies that, despite our long streak of portfolio outperformance versus our benchmark, there is still significant value to be unlocked in our portfolio as these company's stocks close the gap with what we believe to be their fair value over the coming quarters. Undoubtedly, those five underperformers from the first quarter are among the highest-quality companies in our entire universe that also happen to be among the cheapest compared to our discounted cash flow valuation, our portfolio, our benchmark and their peer group. They just happen to be high-quality, late cycle or defensive businesses, or exactly from the category that has lagged the broader small-cap market in this steep recovery. However, we have a high level of confidence that these businesses remain great franchises, are significantly under-valued, enjoy strong long-term business fundamentals, are well-run, and that they will start outperforming in the next leg of this recovery, as the rally matures. Hence, the good news for our clients is that, despite our overall continued outperformance versus our benchmark and our peers, our portfolio still has plenty of core holdings that have been left behind in this rally as they were not attractive enough to attract investors, for the most part solely focused on chasing higher risk, lower quality stocks.

While we are no longer convinced that a return to more discrimination in the U.S. stock market, driven by the fundamentals of each company as opposed to simply macro drivers, is just around the corner, as we have been preaching and advocating for this phase of the up cycle to start for a while without much success, we have no doubt that it will happen at some point in the relatively near future. It is only logical to assume that at some point, and even more so in the face of a potential uneven economic recovery, investors start to value stocks based on the fundamentals of the business and management's execution as opposed to the sector that they are in or the customer group that they serve. This is solely statistical data, but for what it is worth, in the second year after the end of a bear market — which is what we just entered last month — historical evidence shows that high-quality stocks with a high return on equity generally outperform low quality stocks, as it last happened in 2004. We are hopeful that this is what we will experience again this time around, and with more appealing valuations and much stronger fundamentals, we believe that high-quality companies will take the center stage and start leaving their lower quality peers in the dust later this year. Such a scenario would obviously bode well for us and play right into our style, as we believe this is the highest quality portfolio that we have ever had.

With such an extended and elongated bull market, it has obviously become much more challenging to find new investment ideas for our portfolio. Nevertheless, as hard as it has become to uncover true gems that are significantly undervalued, we believe that such an environment will soon reward careful and skilled stock-picking and discipline on valuation, which play right into our strength, giving us strong confidence in our ability to continue to add significant value against our benchmark and our peers in a variety of potential market environments that we might face in the coming years.