

VBA CANADIAN SMALL-CAP EQUITIES

VBA is pleased to report that our conservative investment style and disciplines are again resulting in successful value-added results for our clients. VBA is known for investing in companies that have sustainable competitive advantages, that generate free cash flow, produce high returns on capital over a market cycle, that sell below intrinsic value, that have sound balance sheets and companies whose management are significant shareowners of their stock.

CANADIAN SMALL-CAP INVESTMENT PERFORMANCE TO JUNE 30, 2011

It is my pleasure to report more than 19 years of investment performance for VBA's Canadian Small-Cap Product, as indicated in the following table:

VBA Canadian Small-Cap Pension Fund Composite Results
Total Time Weighted Rates of Return
Annualized for Periods Greater Than One Year
(To June 30, 2011)

	3 Mos. (%)	YTD (%)	1 Yr. (%)	4 Yrs. (%)	7 Yrs. (%)	10 Yrs. (%)	15 Yrs. (%)	Inception 06/30/1992 (%)
VBA Composite	-3.20	6.54	31.53	6.22	9.26	9.84	11.70	13.45
BMO Small Cap Blended Unweighted Index	-8.54	-5.16	31.20	3.59	8.87	9.58	6.98	9.13
BMO Small Cap Blended Weighted Index	-7.59	-4.18	31.10	2.92	9.91	10.74	9.24	10.67
S&P/TSX Composite Blended Index	-5.15	0.16	20.87	1.79	9.28	8.05	8.90	9.81
Value Added (VBA minus BMO)	5.34	11.70	0.33	2.63	0.39	0.26	4.72	4.32

NOTE: Van Berkomp and Associates Inc. [an entity registered with the Quebec, 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. Investment performance results are those of the VBA Cdn. Pension Fund Composite ("VBA Composite") of segregated small-cap pension fund portfolios. As at June 30, 2011, the VBA Cdn. Pension Fund Composite totalled \$0.66 billion in Canadian small-cap assets, which represented 43.1% of the firm's assets under management. The VBA Cdn. Pension Fund Composite includes eight major Canadian pension fund accounts.

COMPARATIVE INVESTMENT PERFORMANCE VERSUS THE RUSSELL INVESTMENT GROUP UNIVERSE OF CANADIAN SMALL-CAP MANAGERS

For the periods ended June 30, 2011, VBA's Canadian Small-Cap Pension Fund Composite Ranks:

- 19th Percentile on the Quarter Basis,
- 33rd Percentile on the One-Year Basis,
- 44th Percentile on the Two-Year Basis,
- 16th Percentile on the Three-Year Basis,
- 22nd Percentile on the Four-Year Basis, and
- 40th Percentile on the Five-Year Basis



I have enclosed the comparative investment performance results of the VBA Canadian Pension Fund Composite in the Russell Investment Group Universe of Canadian small-cap equity managers. Also enclosed is the risk/reward chart showing the VBA Canadian Pension Fund Composite versus the Russell Investment Group Universe of 32 Canadian small-cap portfolios as evaluated by *BNY Mellon Asset Servicing*.

REVIEW AND OUTLOOK OF CANADIAN SMALL-CAP STOCKS

Enclosed you will find the quarterly review and outlook for Canadian small-cap stocks for the second quarter 2011.

If you would like to learn more about VBA and our Canadian Small-Cap Equity Management Division, please visit us on our website at www.vbassociates.com or call me at (514) 985-5759, extension 223, or Benoît Durand, Partner, Vice-President and Senior Portfolio Manager, Canadian Small-Cap Equities, extension 226 or by e-mail at contact@vbassociates.com.

Sincerely yours,

J. Sebastian van Berkomp
President and Chief Executive Officer

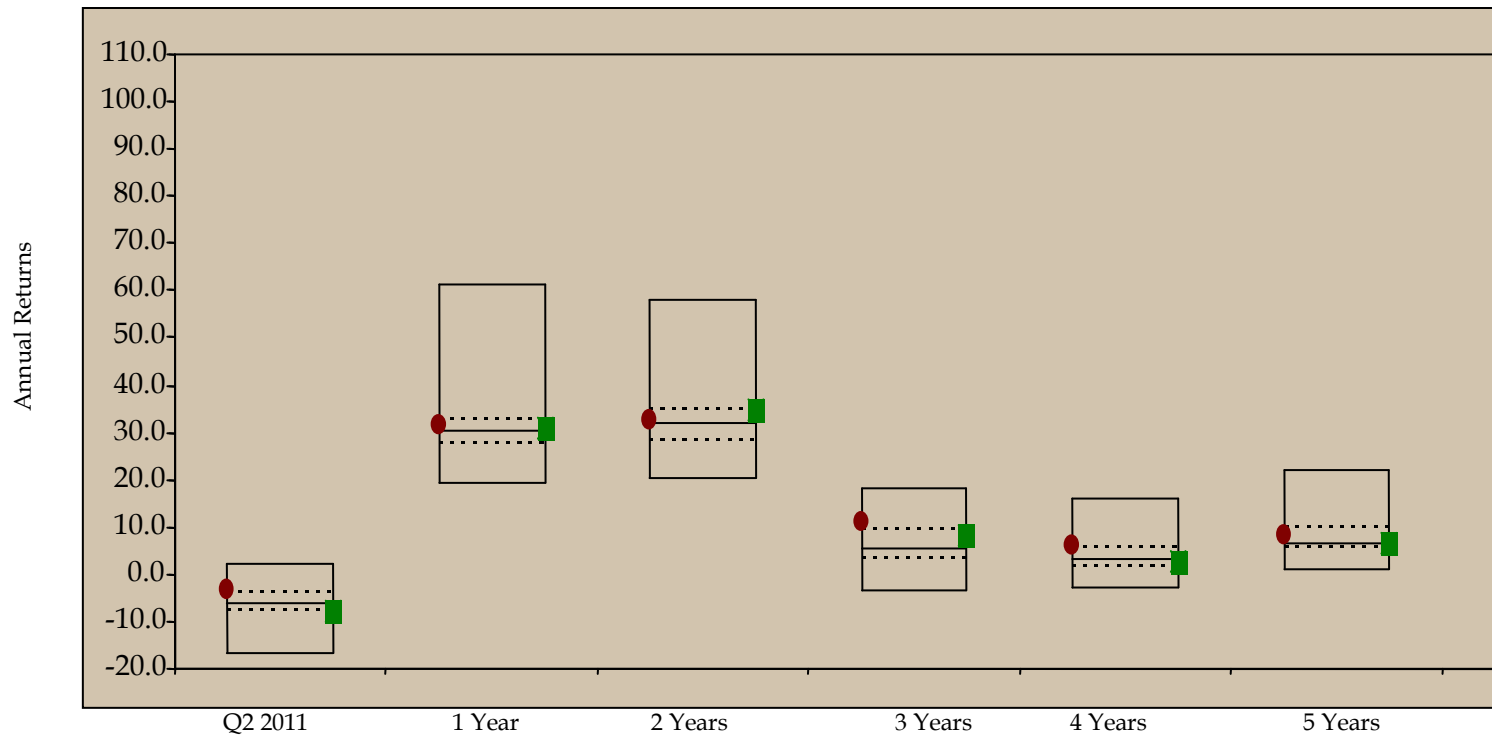
Enclosures

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



Small-Cap Equity Universe

Rates of Return for Periods Ending June 30, 2011



	% tile	% tile	% tile	% tile	% tile	% tile
● VBA Cdn. Composite	19	33	44	16	22	40
■ BMO Small Cap	74	35	26	34	55	55
# of Portfolios	37	37	37	36	33	33

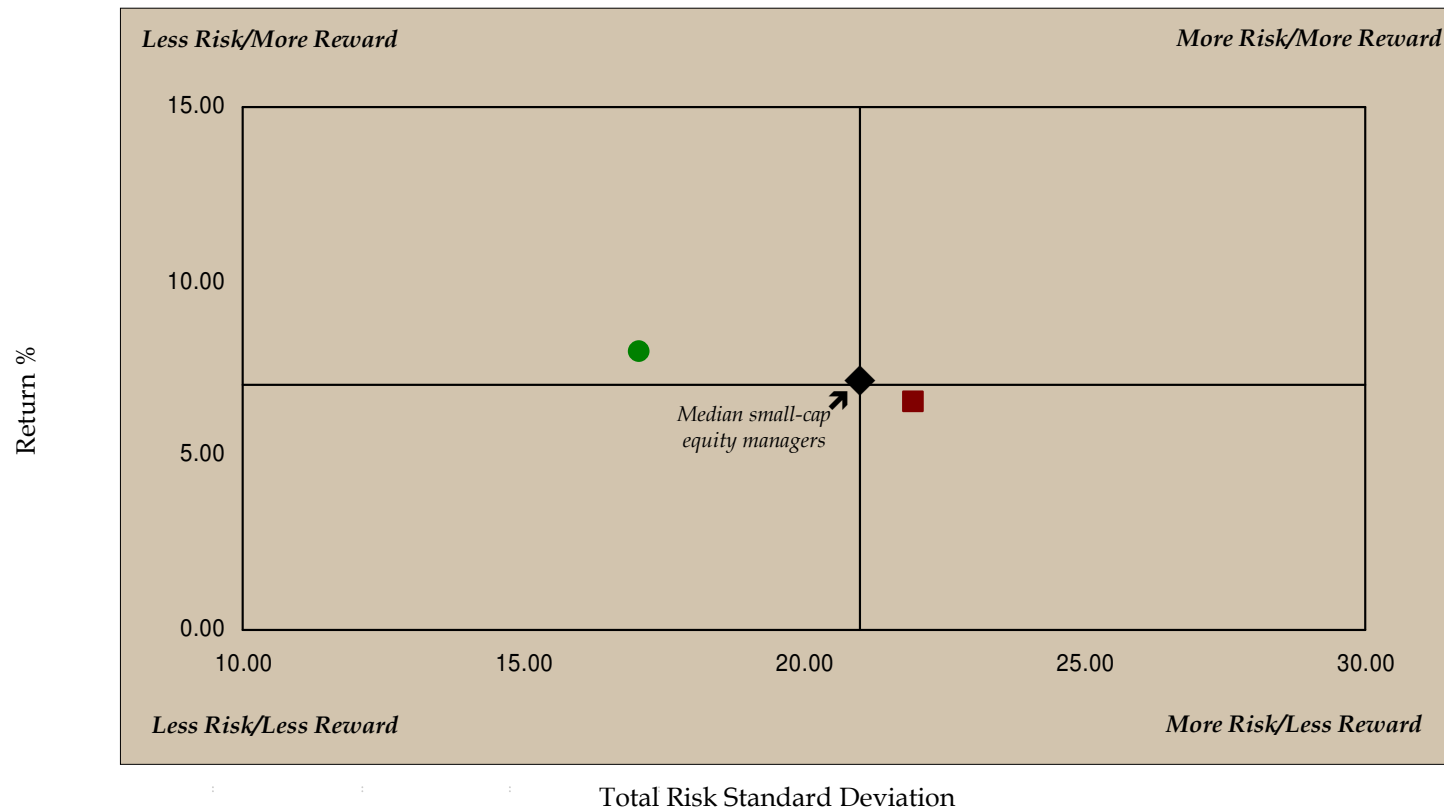
Universe Source: Russell Investment Group

RISK/REWARD OF THE VBA CDN. SMALL-CAP PENSION FUND COMPOSITE VERSUS THE RUSSELL INVESTMENT GROUP



Small-Cap Equity Universe

5 Years Ending June 30, 2011



- VBA
- BMO Small Cap Weighted Blended Index

Universe Source: Russell Investment Group



REVIEW AND OUTLOOK OF CANADIAN SMALL-CAP STOCKS

The overwhelming concerns over the past three months centered around the sovereign debt issues, with Greece at the forefront, as well as the uncertainty of global economies entering a mid-cycle growth adjustment or a more troublesome “double-dip”. Unfortunately, recent disappointing headline news and economic data are adding probabilities to the latter scenario. The deleveraging cycle is now in year four and, as we are currently witnessing, the European sovereign debt challenges are complex and look like a long way from being settled.

In such an environment, as many people are now accustomed to saying, the risk trade was “off” and, consequently, bonds did better than stocks and large-cap stocks outperformed small caps in both North American markets, with a more severe underperformance of small-cap indices within Canada. While U.S. indices were roughly flat for the second quarter, the high-risk and mining-heavy Vancouver Composite Index was down -17%, as compared to a decline of -8.2% for the S&P/TSX Small Cap Index and a -5.2% drop for the S&P/TSX Composite Index. Clear sector laggards were Energy and Materials Sectors, as well as the Technology Sector, due to the severe share price drop of *Research in Motion*. Year to date, the S&P/TSX Composite is roughly flat, while the S&P/TSX Small Cap Index is down -4.3%. Both indices underperforming the more resilient U.S. markets, which are still up slightly more than 6% for both the S&P 500 and the Russell 2000 Index.

During the quarter, Canadian investors were also spooked by the “Sino Forest” scandal and, more generally, with the lack of disclosure and transparency of many Chinese stocks listed on North American exchanges. Just recently, Moody’s issued a “Red Flag” report warning about accounting and governance risks for a dozen of small Chinese companies. As small-cap managers, it is our mandate to canvas the entire universe of investment opportunities. However, we strongly believe that our research discipline and due diligence process filters low-quality investments, which could be seen as “leaving money on the table” in the short term, but is the only investment strategy creating value-add performance over the long term.

Your portfolio continued to significantly outperform its benchmark during the quarter and is, year to date, up by over 6%, as compared to negative returns for the benchmark, a performance which we believe will also compare favourably against our peers as well. Without a doubt, the poor performance of the Materials Sector contributed to our outperformance, but several stocks delivered substantial earnings growth, rapidly-improving fundamentals and positive price momentum in the past few months as well. The substantial premium that *Canadian Tire* agreed to pay (\$26.50/share, a 50% premium over the May 6 closing price) for the takeover of your investment in *Forzani Group Ltd.* also benefited your portfolio. As mentioned in past letters, we believe that financially-strong companies will play “M&A offence” in order to accelerate growth, due to being faced with a “sub-par” economic recovery. Companies in your portfolio will either benefit as acquirer or acquiree.

During the quarter, we completely sold your position in *Smart Technologies Inc.*; a “mea-culpa” is in order. This was not a “Smart” investment. Notwithstanding our belief that intelligent “white boards” and other learning technologies will become even more important in classrooms over time. The company’s quarterly financial results have been disappointing to the extent that we have completely lost confidence in management’s ability to execute on its business plan. As management is a key investment criteria for VBA, we had no choice but to liquidate your position at, unfortunately, a substantial loss.

Enerflex Systems Ltd. (“Enerflex”) has now resurfaced as a stand-alone investment in your portfolio following its spin-off from *Toromont Industries Ltd.* (“Toromont”). The combination of old Enerflex, with the natural gas compression activities of Toromont, makes the new Enerflex a world leader in natural gas processing and compression, with a substantial manufacturing



footprint in the United States, Canada, Europe, Asia and growing presence in South America. The company has a solid balance sheet and is headed by the same management team, led by Blair Goertzen, who successfully managed old Enerflex. With more and easier supply, as a result of “fracking” technology, natural gas is becoming a preferred energy source in many countries, especially since the Japanese nuclear accident. We believe that the new Enerflex is ideally positioned to benefit from this growing trend toward natural gas use. In the short term, Enerflex’s earnings will be impacted by weak and competitive order bookings secured during the past year, as well as with costs to be incurred to fully integrate both companies. But going forward, we anticipate substantial earnings growth, as natural gas markets recover and operating efficiencies are realized.

Cervus Equipment Corporation (“Cervus”) was also added to your portfolio (please refer to last month’s profile for further details). Cervus is a market leader in John Deere farming equipment, as well as other construction equipment in western Canada. Cervus will benefit from the cyclical recovery underway in western Canada, as well as further dealership expansion in both Canada and internationally providing strong earnings growth for several years.

In summary, it was another busy quarter for us. With significant research efforts to uncover bright new investment ideas and prudent and diligent management of our portfolio in these uncertain times, we believe that our current positioning against the market is intact and as strong as ever, with a high-level, quality portfolio, but still trading below our small-cap benchmark and below its intrinsic value.

Finally, I am very happy to welcome Gabriel Bouchard-Phillips as the latest member joining the Canadian Equity Team as a Senior Analyst. I already have had the pleasure to work with him over the past month and Gabriel has a deep passion for small-cap investing, as well as sharing VBA’s investment philosophy and discipline. Without a doubt, Gabriel’s contribution will be very positive for your portfolio over time.