

VAN BERKOM AND ASSOCIATES INC. (“VBA”) WINS NEW MANDATES

VBA is pleased to report that during the Third Quarter 2011, it was awarded another two new mandates from two U.S.-based institutional pension funds.

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 September 30, 2011, VBA’s U.S. Small-Cap Pension Fund Composite Ranks:

- 23rd Percentile on the Ten-Year Basis,
- 12th Percentile on the Five-Year Basis,
- 12th Percentile on the Four-Year Basis,
- 49th Percentile on the Three-Year Basis,
- 51st Percentile on the One-Year Basis, and
- 27th Percentile on the Year-to-Date Basis

The following table shows the investment performance results of the VBA U.S. Pension Fund Composite for the period ended September 30, 2011 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 September 30, 2011)
(In US Dollars)

| | 3 Mos. | YTD | 1 Yr. | 2 Yrs. | 3 Yrs. | 4 Yrs. | 5 Yrs. | 7 Yrs. | 9 Yrs. | 10 Yrs. | Inception |
|---|---------------|-------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|-------------------|
| | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | 06/30/2000 |
| | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) |
| VBA Composite | -18.33 | -12.15 | -0.94 | 7.13 | 3.58 | 1.27 | 5.20 | 7.20 | 10.13 | 9.60 | 10.02 |
| Russell 2000 Index | -21.87 | -17.02 | -3.53 | 4.57 | -0.37 | -4.10 | -1.02 | 3.03 | 7.99 | 6.12 | 3.31 |
| S&P 500 Index | -13.87 | -8.68 | 1.14 | 5.56 | 1.23 | -5.15 | -1.18 | 2.29 | 5.79 | 2.82 | -0.37 |
| Value Added (VBA minus Russell 2000) | 3.54 | 4.87 | 2.59 | 2.56 | 3.95 | 5.37 | 6.22 | 4.17 | 2.14 | 3.48 | 6.71 |

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. As at September 30, 2011, the VBA U.S. Pension Fund Composite (“VBA U.S. Pension Fund”) totalled US\$725.4 million in small-cap assets, which represented 100.0% of the firm’s U.S. assets under management and 56.8% of the firm’s total assets under management. The VBA U.S. Pension Fund Composite includes eighteen important institutional 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 167 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 third quarter 2011.

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.

Sincerely yours,

J. Sebastian van Berkomp
President and Chief Executive Officer

JSvB/dr

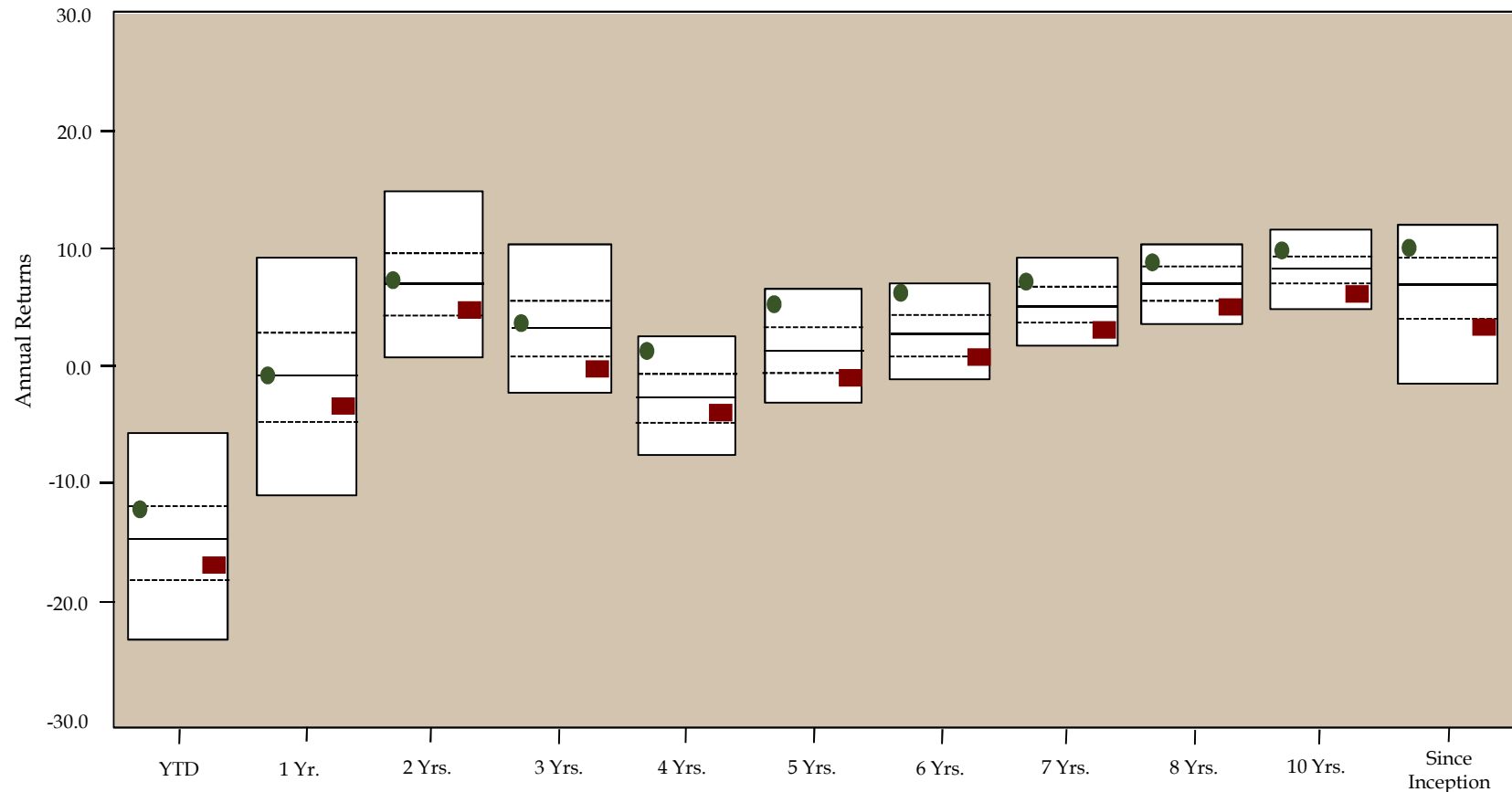
Encl.

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



Small-Cap Equity Universe

Rates of Return for Periods Ending September 30, 2011



| | <u>% tile</u> | <u>% tile</u> | <u>% tile</u> | <u>% tile</u> | <u>% tile</u> | <u>% tile</u> | <u>% tile</u> | <u>% tile</u> | <u>% tile</u> | <u>% tile</u> | <u>% tile</u> |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| ● VBA | 27 | 51 | 50 | 49 | 12 | 12 | 10 | 19 | 19 | 23 | 18 |
| ■ Russell | 68 | 68 | 73 | 86 | 67 | 79 | 78 | 86 | 87 | 85 | 79 |
| # of portfolios | 387 | 383 | 371 | 352 | 335 | 303 | 270 | 241 | 218 | 167 | 140 |

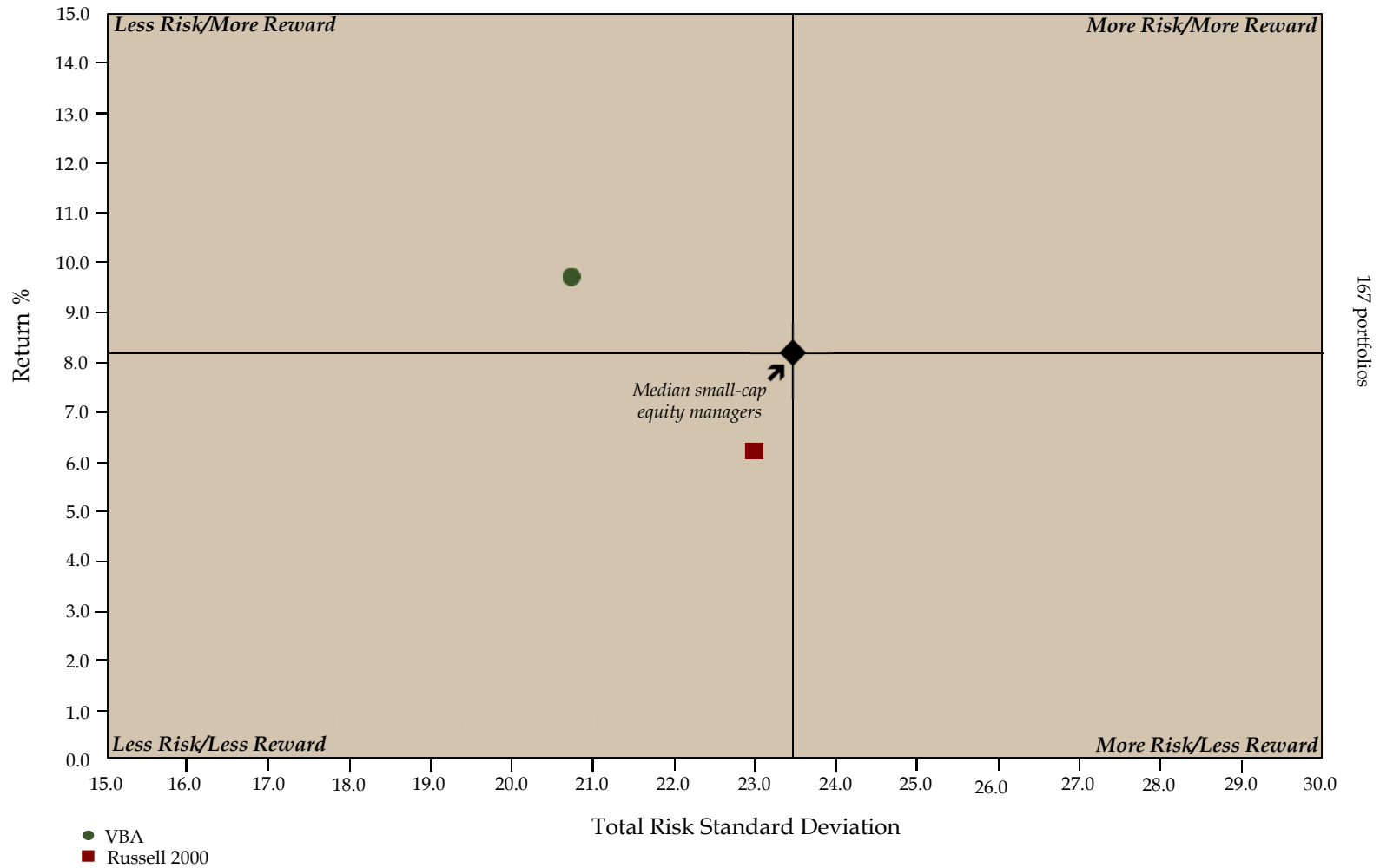
% tile = percentile
Universe Source: Russell Investment Group

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



Small-Cap Equity Universe

10.0 Years Ending September 30, 2011



Univers Source: Russell Investment Group



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

Since the heydays of the financial crisis, the summer months are no longer the quiet, seasonally-slow period for financial markets in terms of trading volumes, volatility levels and news flow that investors were so accustomed to in the past. This year again, investors were wise to postpone any vacation plans, especially in August, as this summer proved to be an action-packed and highly entertaining period. Unfortunately, it was very much a horror show that kept investors on edge and that had them losing sleep. In hindsight, the previous quarter's remarkable resiliency exhibited by the U.S. stock market in the face of an increasingly grim news flow was just a head fake, delaying the inevitable pullback that we had been bracing for since before this quarter.

It was undoubtedly an ugly showing for the world's stock markets and for virtually all asset classes and commodities, except for the VIX Index, U.S. Treasuries and the U.S. dollar. The U.S. stock market recorded its worst quarter since the financial crisis, with the Dow Jones down 12%, the S&P 500 down 14%, and the Russell 2000 down 22% over the period. The U.S. market has now been down for five consecutive months, again the worst such streak since the credit crisis. There were two obvious reasons for this significant correction. First, as we have been rehashing for several months, the stock market, until this summer's sharp pullback, had been experiencing an unstoppable bull run for the past two years that was out of sync with the much more muted economic environment and with the sobering macro and geopolitical news flow. Second, in this most recent quarter, there was no shortage of discouraging events: the U.S. economy getting dangerously close to double-dipping into a recession; significant political gridlock over the debt ceiling and the deficit reduction efforts in the U.S.; a huge debt crisis unfolding in Europe, with some potential to be a Lehman-like situation in the old continent; and, more recently, worrisome signs out of China indicating a significant slowdown in what had been the primary growth engine of the world, a situation that had some observers talking about the possibility of a "hard landing" in that critical country.

Not surprisingly then, U.S. small-cap stocks suffered dearly once again in the September quarter, badly underperforming large caps, as a result of their lofty relative and absolute valuation multiples, and as investors rushed to de-risk their portfolio and as they exhibited a much reduced appetite for risk. Very high levels of volatility in the markets and widening credit spreads were also typical factors associated with underperformance of small-cap stocks.

While last year's Federal Reserve's meeting in August proved to be the key catalyst to propel the stock market significantly higher for the rest of the year and into 2011, this year's gathering in September did just the opposite. In fact, the message conveyed recently by the Fed could hardly have been worse. On one hand, it acknowledged that the U.S. economy had significantly weakened and that its prospects were materially darker. On the other hand, by the nature of its most recent action, it implicitly admitted that it could not do much else to help the economy and prop the stock market, having run out of ammunitions at a time where the U.S. economy probably needs its biggest dose of stimulus. Meanwhile, investors have come to realize in recent weeks that the political sport of kicking the can down the road in Washington and in Europe has largely run its course. Stimulating government programs and the significant financial engineering by Central bankers are all coming close to an end, either due to a lack of political support or a lack of financial wherewithal, or from fears of unintended consequences from such actions. Hence, it seems quite clear to us that the real economy will have to heal on its own, in what is bound to be a slow and painful process considering the extent of the damage from the credit crisis.

At VBA, while we certainly do not enjoy posting negative returns for our clients over short-term periods, we quite frankly do not mind market corrections, or better still, outright bear markets, for two key reasons. First, in the short term, such market environments typically help us to add value over our small-cap benchmark, as a result of our conservative investment style, being invested in high-quality companies, a few of which being defensive businesses that typically hold up better than the market in such difficult market times. It was the case once again this past quarter, as we added almost 350 basis points over our small-cap benchmark. While we certainly would have hoped to produce even a higher alpha in the past three months, we had to deal with one formidable enemy: record-high levels of correlation between U.S. sectors and between individual stocks that even surpassed the levels

reached in the last financial crisis and around the time of the 1987 market collapse. High correlation was a very powerful force this past quarter, with stocks moving up and down in lock steps based on macro events and on geopolitical news and rumors.

While we lost some ability to differentiate ourselves in terms of performance with our stock picking focus and our deep research in this environment of high correlation between stocks, we welcomed this indiscriminate selling as a unique opportunity to buy the stocks of great companies at deeply discounted levels. That is the other reason why we actually appreciate stock market corrections. Hence, even more importantly than allowing us to add value short term, such market selloffs provide us with a fantastic window to reposition our portfolio, as we look to refocus it, further improve its quality and reduce its valuation, with the single biggest objective being to position us even more favorably for long-term outperformance versus our benchmark and our peers. We fully believe that investors like us make their money in bear markets as they take advantage of their stock-picking skills to buy the stocks of high-quality small-cap companies that have been unfairly punished by the broad market correction.

Hence, we were once again very proactive and busy this quarter, just like we were during the last credit crisis, to capture unique buying opportunities. This time, since we believe that we already own very high-quality companies, we focused a lot of our buying on existing names that experienced a steep widening between our measure of their intrinsic value and their market value in recent months. Hence, we increased our position in *Brown & Brown, Inc.*, *CBOE Holdings, Inc.*, *Charles River Laboratories International, Inc.*, *Chemed Corporation*, *Interval Leisure Group, Inc.*, *John Wiley & Sons, Inc.*, *Herman Miller, Inc.*, *IDEX Corporation* and *Sotheby's*, just to name a few. We also initiated a position in a couple of new holdings that we believe are tremendously undervalued. In small-cap investing, we tend to observe numerous market inefficiencies when there is such a high level of indiscriminate selling going on, and we tried to capture many of those in the last three months. As hard-working disciples of Warren Buffett, we tried to be “greedy” last quarter, just like we were during the credit crisis, at a time when most investors were fearful, to use Buffett’s famous expression.

The results of our efforts, we believe, are very telling. First, our ten largest positions, as at September 30th, accounted for over 36% of our total portfolio, versus less than 33% as of June 30th, reflective of our much higher level of conviction nowadays in the price return prospects of the names that we own. Furthermore, as of the end of September, our portfolio is trading at about 11x earnings, 6.5x EBITDA and 11x free cash flows and at a very attractive 23% discount to its intrinsic value, compared to 13.8x earnings, 7.9x EBITDA, 14.8x free cash flows and at a 6% discount to its intrinsic value as of June 2011. All of that while our company-specific returns on invested capital and returns on equity, reliable indicators of high-quality businesses, have remained at very high levels throughout the portfolio.

To be sure, with the U.S. stock market free falling and such indiscriminate selling going on in a highly correlated way, our portfolio did not escape the blood bath, with more than ten of our names having suffered a stock price decline of 30% or more in the past quarter alone. Not surprisingly, most of our worst performing holdings were also some of our most economically-sensitive names, with *CAL Dive International, Inc.*, *Sotheby's*, *Carlisle Companies Incorporated*, *TCF Financial Corporation*, *Herman Miller, Inc.*, *Graco Inc.*, and *IDEX Corporation* being hit particularly hard in the September quarter. Also, notably, the stock of Universal Health Services, one our largest positions and one of our very best performers in the past two years up until this summer, had a very difficult time in the past three months, a combination of the deteriorating macro environment, a more difficult outlook for government reimbursement and weak industry data points, even though the company has continued to deliver fine results. Fortunately, we had a handful of bright spots in the quarter, with six of our holdings ending the quarter in positive territory. Our best performing stock was *Kinetic Concepts, Inc.* as a result of its proposed acquisition by Apax and two large Canadian pension funds. While the premium offered was only about 17% from the last price before the announcement, the stock had already performed extremely well up to that point as result of its very low valuation, and the good financial performance of the company. The pending transaction is the largest leveraged buyout in the U.S. since the credit crisis. Also, the stocks of *The Advisory Board Company*, *Grand Canyon Education, Inc.*, *MarketAxess Holdings, Inc.*, *Big Lots, Inc.*, and *RLI Corp.* all had positive returns this past quarter, not so surprising considering the mostly defensive nature of these businesses.



We also took advantage of the market turmoil to initiate a new position in the stock of *Euronet Worldwide Inc.* ("Euronet") in the past quarter. Founded in the 1990s by its current CEO, Euronet has three primary businesses: processing of ATM transactions and other value-added services around the world (about 12,000 ATMs under its management); POS systems installed at 276,000 retailers around the world for the prepayment of mobile phone airtime and for the prepayment of several other products; third largest money transfer company, with 133,000 network locations. While Euronet has had to deal with a few issues over the past few years, including a couple of untimely acquisitions, and some regulatory and operational issues that have impacted its business, we believe that the company, as it is today, is misunderstood by many investors and is ripe to experience good growth from new drivers in its business. We like this story for several reasons. First, this business enjoys a very high level of recurring revenues, either transactional or through fixed price, long-term contracts and has a strong history of client retention. Its defensive characteristics were quite obvious in the last credit crisis, as the company was able to essentially maintain its revenues, EBITDA and EPS flat and grow its free cash flows in these very difficult years. Investors recognized the defensive nature of this business and its stock once again last quarter, with Euronet's stock ending the period flat and therefore significantly outperforming the market.

Furthermore, our research efforts on this name, as well as our discussions with the company's management team and with other industry participants have convinced us that Euronet has sustainable competitive advantages in each of its businesses, with strong and sticky client relationships, a large distribution network, and significant scale and cost advantages. Also, this business has been a consistent generator of free cash flows, and we would expect improving profit margins and returns on capital in coming years. Also, perhaps one of the most under-appreciated aspects of Euronet are its significant efforts in recent years to leverage its existing distribution footprint by adding content, products and services to all three of its traditional business lines. We believe that its efforts to expand its product offering through its existing distribution were masked during the past three years by the severe worldwide recession and by regulatory pricing issues in two of its largest European markets. We would expect to see such growth potential to be unlocked in coming quarters and to become more obvious to investors. Also, the company's continued efforts to expand its distribution network furthermore, and its unique exposure to many of the fastest growing markets in the world, including Brazil, China, India, other Asian countries and Eastern Europe, should help it to deliver healthy long-term growth. Interestingly, the stock, near current levels, is trading at such low valuation multiples that it does not reflect such growth potential in our opinion, providing us with a very cheap option on the company's success in coming years to unlock this growth. Therefore, we took advantage of our significant research efforts on this name to initiate a position in this company at levels that we believe make it significantly undervalued and mispriced by the market.

As we look forward, while we are not quite sure where the U.S. economy is headed, we are inclined to side with the cautious observers, as we simply cannot find anything that is likely to power the economy in the few years ahead. For one thing, we know that governments will be forced to tighten their belts for the foreseeable future. We also know that it will be very hard for U.S. consumers to spark a big economic recovery with stagnant wages, limited ability or willingness to borrow, low savings rates, very poor confidence and stubbornly-high unemployment. Small- and mid-sized businesses, an important engine of growth and employment in past economic cycles, remain plagued by a difficult access to capital, increased regulation and poor domestic demand. While large companies seem to be the best-positioned entities to support the economy, we question why they would commit to significant investments and hiring programs if they know that demand from governments and consumers is likely to remain subdued at best. For sure, we appear to be in a frightening equilibrium right now.

Rather than speculate on whether the U.S. economy has already or will double-dip into another recession or not, we cannot help but think that it probably never exited the previous recession completely, if it was not for the artificial support that it received and despite the technical definition of a recession proving otherwise. One thing that we do know is that in this environment of very low growth globally, it will be much harder for U.S. companies to grow earnings at a nice clip, considering the sluggish demand from most end markets and profit margins that are already near record highs. That makes us quite skeptical of the analysts' rosy and sky-high 2012 forecasts for earnings growth for small-cap companies. We strongly believe that the "easy times" for U.S. companies as it relates to



earnings growth are over. Therefore, starting this quarter, we fully expect broad negative revisions to earnings for 2012 from sell-side analysts for a majority of companies to finally reflect the difficult environment that they find themselves in. The market observers who claim that the U.S. stock market, after this steep correction, is cheap now may be right, but only if corporate earnings hold up near current levels, which is not quite a done deal in our opinion considering the obvious macro pressure points building and the numerous question marks on the world economy.

One obvious benefit expected from a difficult economic environment and the associated uneven financial performance of many companies should be the declining levels of correlation between stocks going forward. As high-quality companies start to truly distinguish themselves by posting consistent and respectable results against a tough backdrop, and as lower quality companies really struggle to deliver sustained earnings growth, we believe that there should be much more discrimination in the market based on company-specific fundamentals and performance, as investors find shelter in companies that outperform on a fundamental basis. Such an environment would obviously be very positive to our investment style. We strongly believe that in a difficult macroeconomic environment, companies that have strong and sustainable competitive advantages, that are well-managed, that have a strong balance sheet and that generate good free cash flows and returns on capital should outperform. As we look at our portfolio, the great news is that it is loaded with companies that have such attributes, giving us great confidence in our ability to do well against our benchmark and our peers going forward. Our portfolio is currently very cheap on both an absolute basis and certainly relative to our benchmark while exhibiting a vastly superior level of quality. We therefore feel fully ready to face a full range of market environments going forward and we will continue to work very hard to deliver out-performance for our clients.