VAN BERKOM AND ASSOCIATES INC. ("VBA") WINS A NEW MANDATE

VBA is pleased to report that during the Third Quarter 2010, it was awarded a US$100 million U.S. Small-Cap mandate from a significant U.S.-based corporate pension fund. This is VBA's first ever client based in the United States.

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, 2010, VBA's U.S. Small-Cap Pension Fund Composite Ranks:

- 14th Percentile on the Ten-Year Basis,
- 8th Percentile on the Five-Year Basis,
- 8th Percentile on the Four-Year Basis,
- 9th Percentile on the Three-Year Basis, and
- 45th Percentile on the One-Year Basis

The following table shows the investment performance results of the VBA's U.S. Pension Fund Composite for the period ended September 30, 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 September 30, 2010)
(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	6.82	11.14	15.86	5.92	2.01	6.79	7.59	10.33	10.84	10.74	11.15
Russell 2000 Index	11.29	9.12	13.35	1.25	-4.29	-0.38	1.60	6.13	7.25	4.00	4.01
S&P 500 Index	11.29	3.89	10.16	1.27	-7.16	-1.75	0.64	4.04	3.00	-0.43	-0.52
Value Added (VBA minus Russell 2000)	**-4.47**	**2.02**	**2.51**	**4.67**	**6.30**	**7.17**	**5.99**	**4.20**	**3.59**	**6.74**	**7.14**

NOTE: Van Berkom 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 September 30, 2010, the VBA U.S. Pension Fund Composite ("VBA U.S. Pension Fund") totalled US$506.80 million in small-cap assets, which represented 90.55% of the firm's U.S. assets under management and 43.82% of the firm's total assets under management. The VBA U.S. Pension Fund Composite includes eleven 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 157 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 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.

Sincerely yours,

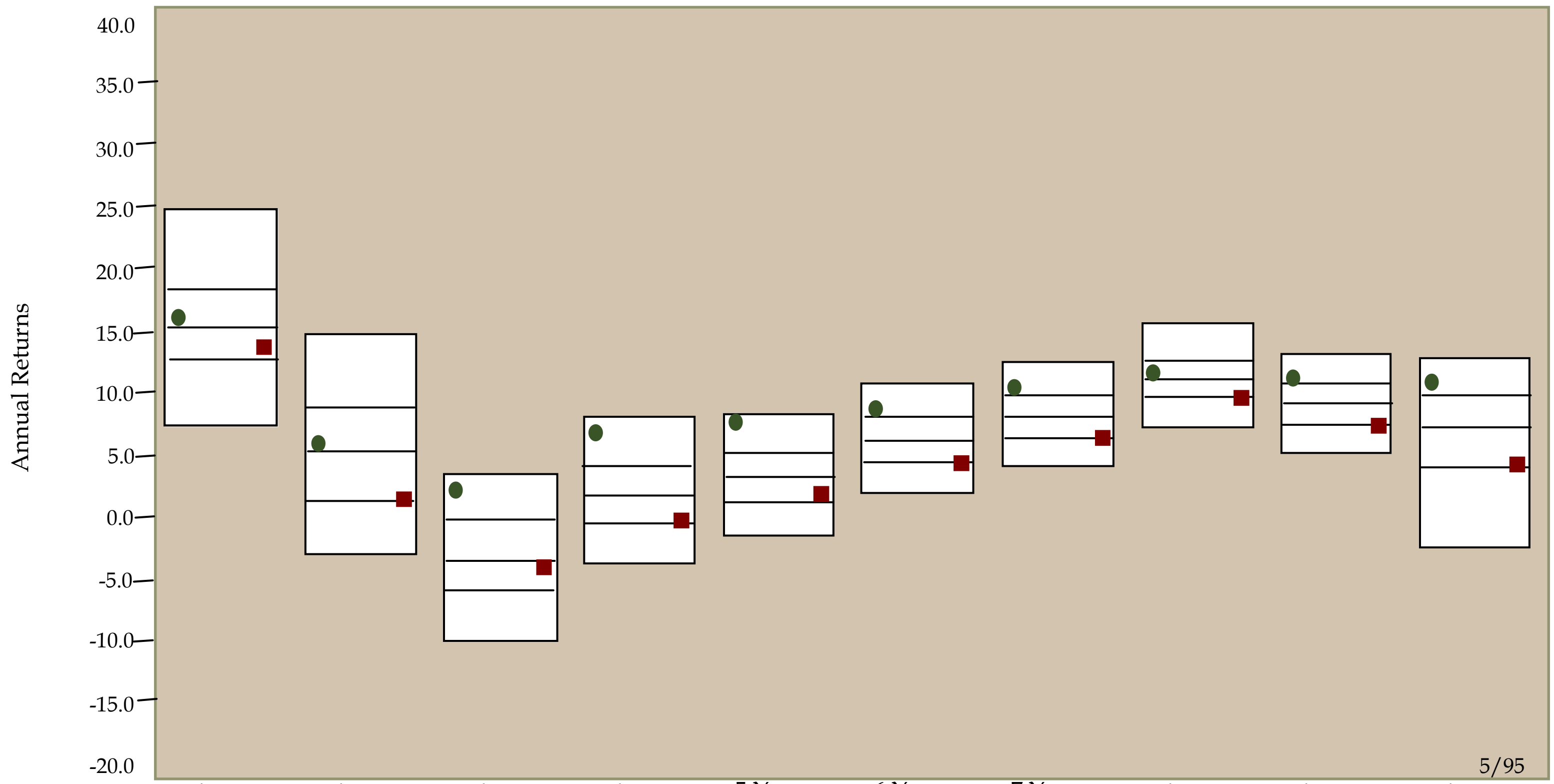
J. van Berkom

J. Sebastian van Berkom
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 September 30, 2010



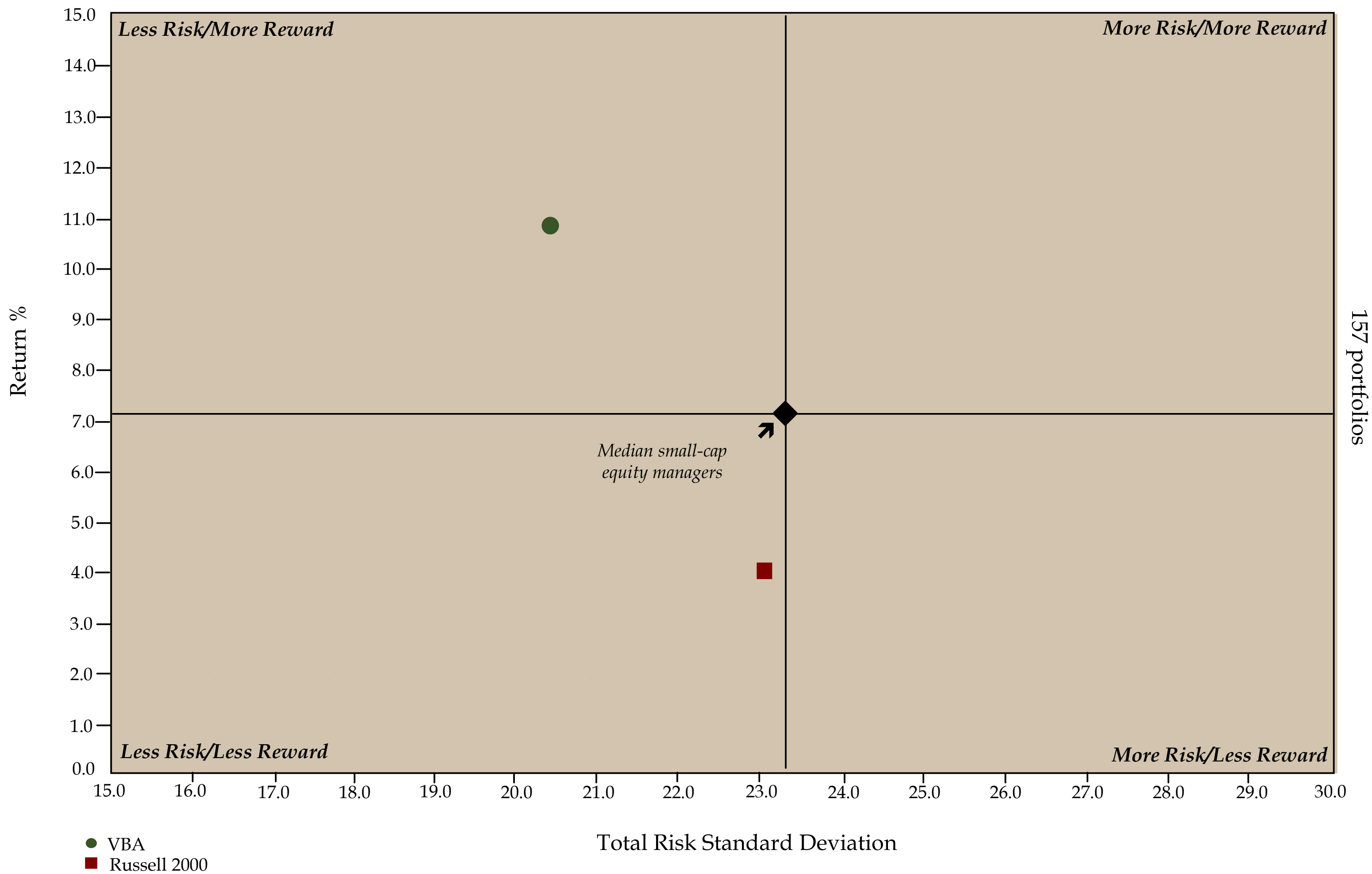
	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years	10 Years
	% tile	% tile	% tile	% tile	% tile	% tile	% tile	% tile	% tile	% tile
● **VBA US Composite**	**45**	**45**	**9**	**8**	**8**	**19**	**17**	**39**	**25**	**14**
■ Russell 2000	67	75	56	71	68	77	76	76	77	74
# of Portfolios	372	357	345	317	285	256	231	201	176	157

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, 2010



Universe Source: Russell Investment Group

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

The market certainly continued to exhibit its distinctive bipolar behavior in this September quarter. Hence, returns in the U.S. stock market in this latest period were almost the exact opposite of what had happened in the preceding quarter, with low double-digit positive performance for all major U.S. indices, with large- and small-cap markets increasing at a similar percentage. To be sure, there was a healthy dose of volatile, roller-coaster swings by the market in the past three months, with big up months in July and September split up by a very difficult August. Virtually all marketplaces around the world enjoyed a fairly substantial rise in the September period.

What was particularly surprising to us was that, even as many investors were rushing to put money into gold and bonds to protect themselves either for the looming prospects of inflation down the road or for the horrific but real possibility of deflation, a few more market participants were also busy bidding up stocks despite all the worries embedded in the behavior of the gold and bond markets. Hence, this rather strange phenomenon drove a synchronized rally in bonds, gold, oil, commodities and stocks this past quarter. While we would have thought that stock market investors would have been increasingly worried by the strong negative signals sent by the gold and bond markets, it would also be quite naïve on our part to dismiss the impact and significance of all this liquidity pumped in the system for the past several months by the Federal Reserve. In fact, in 2009 alone, the Fed printed enough money in the system to cover the year's deficit. As if it had not done enough in terms of drowning the market in liquidity, the Federal Reserve told investors in recent weeks that it was ready to do more "quantitative easing" in coming months, in a sober acknowledgement that the economy had slowed enough to become a real concern to the central bankers. This implicit "back-stop" of the economy by the Fed would be a great thing if only it had proven to be an effective way to help the economy; yet, we are still looking for clues about the effectiveness of this strategy in this economy, other than to prop up the stock market. It was almost insulting to hear from the National Board of Economic Research ("NBER") this quarter that this great recession had officially ended back in June 2009, when employment and housing are still deep in recessionary levels, access to capital is still constrained for most small- and mid-sized businesses, consumer confidence is low, there is still a lot of slack in the economy with current gross domestic product ("GDP") at just 93.5% of potential GDP; and U.S. GDP growth has been decelerating at a very healthy (or unhealthy), if not alarming clip since the fourth quarter 2009.

Admittedly, investors' sentiment at the end of the second quarter had reached a fairly high level of pessimism, as more and more market participants had begun to discount the prospects of a "double-dip" in the economy. Hence, the steep reversal in market mood that we witnessed in the third quarter also played a big role in these unusually strong market returns, as mostly mixed but stable economic data led investors to believe that they had maybe become overly negative on economic prospects, reversing the double-dip discount that had been assigned to many stocks. As macro data released continued to be sluggish, there was growing sentiment that the Fed would once again come to the rescue. The merger and acquisition market also created a spark for the market, as it became quite vibrant, with several deals announced over the summer months, as U.S. companies are sitting on record-high levels of cash on their balance sheet, with limited organic growth opportunities in this economic environment, for the most part. Perhaps there was also a sense of desperation from so many investment managers that have been trailing their benchmark throughout most of this recovery, this time deciding to put money to work in the stock market to avoid being left behind furthermore in this months-long rally, also fueling the recent run in the markets with their action.

It was indeed another difficult quarter for active money managers, with less than 50% of small-cap managers outperforming their benchmark in this September period. As a result of this broad underperformance, fewer than 50% of small-cap managers have added value over their benchmark for the year-to-date period. Large-cap managers and hedge funds have struggled even more in this environment, leading to a growing sense of frustration among investors. The inability of most managers to surpass the performance of their benchmark since the start of the financial crisis has become a bigger topic of conversation lately, with some market observers even proclaiming that stock picking was dead. Such premise is based on the fact that, undoubtedly, since the start of the market downturn in 2008, macro themes, as opposed to earnings performance by individual companies, have been dominating the market, driving it up or down significantly based on how global events unfold. To add substance to the theory, the correlation between stocks in the S&P 500, which hovered at around 27% from 2000 to 2007, soared to about 80% during the financial crisis and once again during the second quarter as the sovereign debt crisis erupted in Europe. Such correlation between U.S. stocks remained around 70% even in this third quarter, levels not seen since the Great Depression of the 1930s. For investment managers, the fact that stocks move upward and downward in lock step results in a much diminished ability to extract excess returns over their benchmark and in much narrower performance spreads between the best and worst managers.

We obviously find ludicrous the notion that stock picking is no longer relevant, as if we could really reinvent "Investing 101" with some new concept or flavor of the day. We find it quite logical to believe that companies with much different outlooks should not trade in lock step or in a very similar direction. Hence, if anything, this difficult environment for stock pickers that we have been complaining about for several quarters, will prove to be temporary and will have the great benefit of creating fresh new investment opportunities for savvy investors who still believe in the basic principles of investing.

Admittedly, we much prefer to criticize or complain about market dynamics and trends in times of out-performance, as it insulates us somewhat from giving the appearance of looking for silly excuses typical of managers who underperform their benchmark. For us, the September quarter proved to be disappointing, as it marked the end of a long streak of nine consecutive quarters of positive value-add against the Russell 2000 (our last quarter of underperformance was the first quarter 2008). Hence, up until this third quarter, we had outperformed our small-cap benchmark in 13 of the past 14 quarters since the start of 2007, even as we went through a severe financial crisis and then a huge stock market recovery, and as we experienced significant levels of volatility throughout the period and rapidly-changing market conditions. As with all good streaks, it had to eventually come to an end, and even though we worked quite hard to delay the inevitable, such underperformance was bound to happen at some point in time, with a portfolio of 37-38 stocks competing against a broadly diversified benchmark. With our portfolio being such a stand-out outlier in the first half of the year with a very significant level of outperformance and a 3rd percentile overall ranking, it was pretty much a matter of time before our performance would revert back a little bit closer to the mean, in such an unusual environment in which U.S. stocks are moving in closely correlated patterns and with performance spreads between manager being so tight.

For one thing, some of our higher beta stocks and some of the ones most highly-levered to the economy that had led our performance since the start of this recovery and that had helped us to outperform our benchmark and our peers ran out of steam this quarter, continuing their ascent for the most part, but not quite keeping up with the market. Furthermore, the performance of our portfolio in this September quarter was not quite as predictable and did not react to market moves as it did throughout the recession and into the recovery: it lagged significantly in a strong month for the market in July; it trailed the small-cap index slightly in August in a down market; and it outperformed in the best month of September for the U.S. stock market since 1939. In fact, we ended a disappointing quarter on a very strong note in September, with high levels of outperformance versus our benchmark and our peers and the second highest monthly absolute return since the inception of this product more than ten years ago. Hence, our performance was not quite as steady this quarter, and the balance that we have strived to maintain between defensive stocks and high-quality names that are more closely correlated to the economy, a strategy that has worked particularly well in the past three years, was not quite as effective this quarter. In particular, we did not benefit from the same downside protection from our healthcare names in August in a down market as usual, as the sector was hit hard by increased regulation, as well as by hard data and anecdotal evidence that this recession had been so severe that it had finally started to impact even patient volumes and overall utilization of healthcare services. Hence, as many investors started to fear that the sector had lost its defensive characteristics, they were quick to dump these stocks in one block and treat them the same as all the other industries deemed “cyclical”.

However, by far the biggest theme of this quarter for us has been the issue of increased government oversight, scrutiny, regulation and involvement in several areas of the economy. Although in the past we had to deal with several such instances over our many years of investing in this market, our performance this quarter was disproportionately impacted by such direct government intervention efforts in several sectors. Hence, through our ownership of *LHC Group, Inc.* and of *Amedisys, Inc*., we have been exposed to the negative fallout from recent increased government scrutiny and oversight of the home health industry to prevent any attempt from some industry players to game the reimbursement system. We also have felt the hit from a serious tightening of regulation concerning the for-profit education providers as part of a government quest to get rid of some questionable recruiting and enrollment practices in the industry that leave some students with high debt loads at the end of their program and poor job prospects. Also, we have had to deal with significant government intervention to prevent or at least stem the huge flow of foreclosures, as the housing market is desperately trying to heal from its meltdown. The numerous administrative, judicial and financial roadblocks that the government has put in place have helped to slow down the pace of foreclosure activity, significantly impacting the growth trajectory of *Lender Processing Services, Inc*. that has been a core holding for us. As if this was not enough, we have indirectly felt the hit from the BP oil spill crisis and the subsequent moratorium that followed on deepwater drilling through our investment in *CAL Dive International, Inc.* (“CAL Dive”), an energy service company. Even though the company only provides services associated with gas drilling in shallow waters, an area not subject to a moratorium, the level of uncertainty as it relates to future regulation and operating costs from the federal government’s tighter oversight has led to a near complete paralysis of new projects in the Gulf of Mexico, seriously reducing visibility on future levels of business for service providers like CAL Dive in that area of the world.

What is frustrating with these situations of increased government involvement or regulation, in addition to being largely unpredictable, is that in almost all cases, they are politically motivated or brought forward with a good dose of self-interest. There are a lot of political dollars to be earned these days from following a trail that would seek to punish corporate villains and give the appearance of protecting the “average citizen”. Even in these rare instances where a new piece of legislation or increased government involvement is actually well intended, it almost always brings in unintended consequences from poorly crafted policies and involves such a slow decision-making process that it leads to long periods of uncertainty for investors. Such circumstances are not exactly a good cocktail for investors to digest, as we saw in this third quarter in the performance of such sectors as home health, education, and oil and gas services.

This issue of big government should remain at the forefront of investors’ mind for some time to come, unless there is a big change in leadership in the upcoming mid-term elections. Regardless of the outcome of the next ballot, it might be too late to reverse course in a major way for many years to come when one considers how desperate and problematic the situation is. For one thing, the annual level of spending for the federal government has roughly doubled over the past ten years, with only about a quarter of that increase attributable to general inflation. In other words, the federal government has doubled in size since 2000. Of course, this staggering level of spending does not even include the bloated expenditures of the different state and local governments. The consequence of such irresponsible spending is quite dire: the U.S. national debt has almost doubled since 2003 and currently amounts to more than $120,000 per taxpayer. When one layers in the huge unfunded liabilities of the very large and growing entitlement programs (Social Security, Medicare), that adds about $355,000 of debt for each citizen. This huge national debt for U.S. taxpayers does not obviously take into account the additional burden of their own private debt, currently sitting at about 120% of their household income. Hence, it is very hard to conceive how the federal government, regardless of its leadership, gets out of this mess without serious long-term consequences to the economy. Clearly, the solution does not rest in the federal government's increased involvement in so many aspects of the economy, as has been the case in recent quarters with the current administration.

Despite our struggles this past quarter with regulation and increased government scrutiny, we saw particularly strong performance leadership from many members of our 2009 and 2010 classes of new stocks that were added to the portfolio, such as *Fossil, Inc., Micros Systems, Inc.*, *Herbalife Ltd.*, *Progress Software Corporation*, *NeuStar, Inc*., and *MarketAxess Holdings, Inc*., notably. Hence, we continue to recycle some money from our best-performing stocks into this newer generation of core stocks, striving to keep the valuation of our portfolio in check while further improving its level of quality.

We also continued to benefit handsomely from the resurgence of corporate deals in this latest quarter, with the proposed acquisition of *Hewitt Associates, Inc*. by its competitor and industry giant, Aon Corporation. This transaction continues the well-established trend of consolidation in the human capital consulting industry. As a result of this strategic deal, Aon offered *Hewitt Associates*' shareholders what amounted to about a 40% premium on its stock price just before the announcement. As *Hewitt* was one of our largest positions in the portfolio, this event was indeed a strong performance offset to the headwinds we faced in the September quarter. We also ended up selling out three of our oldest positions in the portfolio: *Interactive Data Corporation*, *Hewitt Associates, Inc*., and *Saga Communications, Inc*.: the first two completing the process of being acquired, and the latter presenting a good opportunity to sell the entire position after a very strong run of over 70% year-to-date.

Even though it has proven more challenging to find bright new investment ideas through the summer months with this strong and highly correlated rally across sectors and individual stocks, we believe that we uncovered a true gem in *MarketAxess Holdings*, a stock that we acquired earlier during the September quarter. With well over 90% market share, *MarketAxess* operates a virtual monopoly of the electronic corporate bond trading marketplace in the U.S. through its internally-developed trading platform connecting about 80 broker-dealers to about 800 investment firms. Its very strong market positioning has translated into very strong profit margins and returns on capital. With significant liquidity provided by the large dealer base connected to its platform and high levels of request activity and demand from buy-side bond traders and investors for small- to mid-size corporate bond trades, the company truly benefits from the "network effect", hence creating a substantial barrier to entry. Also, more and more, the company's trading platform is embedded in the IT systems (such as order management systems) of its clients and dealers, helping it to tighten its grip of the marketplace and to make its business even stickier. As part of our due diligence process on this name, we conducted numerous channel checks with both sell-side brokers and buy-side institutions, and the feedback gathered from our conversations was remarkably consistent: MarketAxess offers a high-quality product cherished by buy-side institutions who specifically ask brokers they deal with to put volume on its platform, as it is an efficient, transparent and very cost-effective way to trade corporate bonds. Such strong support for the product by investment firms and the network effect created by the large levels of volume that go through MarketAxess's platform help explain why Bloomberg, after several years of bundling a bond trading platform solution for free to its existing clients has yet to gain any traction with its competing offering.

While existing competitors for electronic platforms such as Bloomberg have not been able to break its near monopoly situation, *MarketAxess's* real competition is the traditional voice-brokered trading system that still represents more than 90% of the trading on corporate bonds. Hence, we believe that with its superior value proposition, the company has a substantial opportunity to make additional inroads into the traditional trading system for bonds. Also, even though the bulk of its business has been U.S. high-grade bonds and European bonds, it has been growing in other product categories such as: emerging markets, high-yield bonds, and agency bonds, areas that could grow fairly significantly in future years from their current low base. Furthermore, it is actively involved in the development of an electronic trading system for credit default swaps (CDS), as mandated by the government in the aftermath of the credit crisis. Historically an over-the-counter product category, CDS will have to trade either through an exchange or a swap execution facility in the near future. Even though this market could be quite competitive, it could be a significant market opportunity for *MarketAxess*, as it is several times larger than the high-grade corporate bond market. Finally, in the short to intermediate term, the bond market remains vibrant in the U.S., with high levels of trading volume at the far end of the curve and numerous new issues of corporate debt by companies seeking to lock in funding at historically-low interest rates.

We took advantage of the weakness in the stock and the noise around the announcement that one initial broker investor in the development of the *MarketAxess* platform had decided to sell its stake in the company to build our position in the stock at what we believe to be a very attractive valuation. Hence, we paid less than 10x free cash flows, excluding the significant cash position (and adjusted for the exclusion of a deferred tax asset), for a business that has doubled its sales and grew its earnings and free cash flows several folds in the past five years, with a very strong competitive position, a sharp management team and bright growth prospects. We believe that at the price that we acquired the shares of *MarketAxess*, we essentially got a free option on the realization of one or several of the following potential growth drivers: market share gains from voice-brokered trading; successful penetration of the CDS marketplace; growth and market share gains in its other product categories. Said differently, at this free cash flow yield on the shares, we did not pay for any material realization of the numerous growth drivers in place. Already since we purchased this stock, it has contributed nicely to the performance of our portfolio, as investors cheered the strong volume data and quarterly results that the company reported.

Our recent purchase of this stock in our portfolio is a great example of our relentless efforts to lower the valuation of our portfolio, and further improve its positioning and overall quality. As we have said many times before, this is a never-ending process, but we currently feel very confident about our ability to end the year strong and continue down the path of adding significant value for our clients over long-term periods.