



VAN BERKOM AND ASSOCIATES INC.
ET ASSOCIÉS INC

**VBA CANADIAN PARTNERS' FUND /
FONDS CANADIEN DES PARTENAIRES DE VBA**

MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31, 2007

Management Report of Fund Performance

Investment Objective and Strategies

The investment objective of the VBA Canadian Partners' Fund (the "Fund") is to provide consistent long-term capital appreciation by investing primarily in a diversified portfolio of Canadian small-capitalization equities. Our strategies are focused on identifying Canadian small to mid-cap growth companies managed by highly skilled entrepreneurs who are significant owners and, therefore, motivated to increase shareholder value. Our emphasis is on companies with high return on invested capital, financial strength and consistent earnings growth. We analyze the industry dynamics, the company's competitive advantages and its strategies for long-term growth. Finally, our "stock picking" strategy is further validated by different valuation methods (i.e. discounted cash flow, EV/EBITDA, P/CF and P/E ratio) to assess the current underlying value and investment return/risk trade off.

Risk

The risk level of the Fund did not change significantly over the past year. By definition, small-capitalization equity companies represent a higher level of risk. In the short term, their returns can be volatile, however, over a long-term horizon, the returns have been proven to be much higher than large-capitalization stocks. Our approach to control risk level consists of (1) selecting financially sound and promising companies for the long term, (2) adequate portfolio diversification and (3) maintaining high cash levels at opportunistic times when limited investment opportunities exist.

Results of Operations

Over the past twelve months, the Fund's Class A unit value increased by 9.7%, bringing the unit price from \$11.74 to \$12.86. A distribution of \$0.64 was paid and re-invested immediately in newly issued units at a price of \$12.14 per unit. For 2007, the BMO Small Cap Index rose by 2.0%, while the S&P/TSX Small Cap Index mustered only a 0.9% gain, which was well below the 9.8% total return of the S&P/TSX Composite Index. On a relative basis, the significant underperformance of the Energy and Material Sectors were the main reasons behind the poor performance of the small-cap market. Noteworthy, was the lack of performance breadth, only 36% of the S&P/TSX Composite beat the index and only three stocks – *Research in Motion Limited*, *Potash Corporation* and *Alcan Inc.* – contributed to more than half of the index net return.

While there was little good news that came out of 2007, we will point out the performance of the VBA Canadian Partners' Fund as one bright spot in this gloomy year. Despite the significant outperformance of large caps and the unfavourable sector allocation impact due to our underweight position in the Material Sector, the Fund added significant value over its small-cap benchmark and performed well against most peers. We have long claimed that in highly uncertain market environment where risk aversion keeps rising and where selectivity is essential to success plays well into our style and our competitive strengths. Our results in 2007 once again proved that we tend to perform very well in such market conditions where careful stock picking rules the day. Hence, our relentless focus on buying and holding high-quality, small-cap companies that have low valuations has paid handsomely over our history and specifically in 2007. The Fund's performance was broad based, with particular strong returns from

the top 15 investments, as well as from strong company-specific performances in a variety of sectors, such as Energy (*Shawcor Ltd.*, *Iteration Energy Ltd.*), Material (*Major Drilling Group International Inc.*) Industrials (*Genivar Income Fund*, *GLV Inc.*, *Stantec Inc.*, *Torontom Industries Ltd.*), Consumer Discretionary (*Gildan Activewear Inc.*, *Atrium Biotechnologies Inc.*, *Glacier Ventures International Corp.*), Financials (*Home Capital Group Inc.*, *Canadian Western Bank*, *Dundee Wealth Management Inc.*) and Technology (*Evertz Technologies Limited*, *Logibec Groupe Informatique Ltée*).

Recent Developments

It was indeed a rocky year for the stock market, with rising levels of nervousness and amazing volatility as the year progressed. The fourth quarter saw a continuation of the trends that have destabilized the economy all year. First and foremost, the Canadian dollar continued its ascent and reached \$1.08 against the US dollar on November 6, 2007, a closing level not seen since 1945. Secondly, the housing market in the United States has continued to surprise on the downside, with deteriorating fundamentals and certainly no clear recovery in sight. Also, the subprime-induced credit crunch has generated a growing number of casualties, most notably several Canadian and U.S. large financial institutions and the majority of key Wall Street firms. At some point in this December quarter, there has not been a day without a financial firm disclosing a massive write-down on some type of asset-backed securities in their portfolio. As well, LBO transactions, led by major private equity firms, have remained largely absent from the market, with such financial players, if anything, still actually working to exit some deals that no longer make sense financially for them in this brutal debt market.

Moreover, energy prices are rising to fresh new highs, with oil prices hovering near the worrisome, psychological level of \$100 a barrel and for the consumer at US\$3.00 a gallon at the pump. A worsening job market, as reported by the latest U.S. job report, combined with record-high energy prices, rapidly declining home prices and rising levels of foreclosures have taken a toll on the very resilient U.S. consumer, as illustrated by a significant deterioration in the latest consumer confidence readings. As a result, our export-oriented Canadian manufacturing sector remains exposed, not only to a parity exchange rate, but also to a weak first-half U.S. economy.

Looking out into 2008, we still maintain that Canadian equity markets will be highly sensitive to commodity price movements, the Canadian dollar impact and the severity of the U.S. economic slowdown. Currently, commodity prices, including oil, are still at high levels since the conventional view is that any economic slowdown will be contained within the G7 countries with little to no impact on the fast growing "BRIC" countries (Brazil, Russia, India and China) and their insatiable thirst for energy and raw materials. Any deviation from that conventional view, which would include a farther reaching slowdown, would certainly put downward pressure on commodity prices and on a large component of the Canadian equity market. The Canadian dollar's strength has, so far, eaten up profits on foreign subsidiaries and products that are exported, but as we have recently seen in the automotive retail sector, the Canadian consumer is now demanding that the benefit of the strong loony be passed on to him, therefore,

eroding profit margin further, this time on domestic sales. And finally, a more severe slowdown or recession in the U.S. would certainly spill over in many ways into the Canadian economy.

The VBA Canadian Partners' Fund is invested in a manner consistent with our cautious view of the markets for 2008. We believe that our strong and dedicated analyst team, our rigorous research process focused on high-quality companies and our strictest discipline on valuation are the key ingredients to our long-term success and position us well to continue to outperform if volatile markets once again rule the day in 2008.

Finally, as accepted by all unitholders, our next communication will be using the Fund's new name - Van Berkom Canadian Growth Fund - which will reflect our new operating and incentive based fee structure, which benefits all unitholders.

Adopting of New Accounting Standards

On April 1, 2005, the Canadian Institute of Chartered Accountants ("CICA"), which establishes Canadian generally accepted accounting principles ("GAAP") for financial reporting purposes, issued Section 3855, "Financial Instruments - Recognition and Measurement". This section came into effect on October 1, 2006 and was applicable for the Fund's fiscal period commencing

January 1, 2007. The new section, among other things, changes the methodology for valuation of fund sections and the accounting for transaction costs such as brokerage commissions. As a result, the adoption of this section will impact the calculation of the net asset value of an investment fund, as well as certain financial ratios for financial purposes.

Securities regulators in every province and territory (the "Regulators") have adopted rules which require the net asset value of an investment fund be calculated in accordance with Canadian GAAP. This means that the valuation principles for securities as set out in Section 3855 must be adopted by the mutual fund industry both for the preparation of financial statements and the calculation of fund prices at which investor buy and sell units or shares of the investment funds. However, the Regulators have granted a temporary exemption until September 30, 2007 to investment funds from applying the provisions of Section 3855 for the purpose of calculating fund prices that are used for investor transactions. The Canadian Securities Administrators is currently reviewing the suitability of applying Section 3855 to investment funds for the purposes other than the preparation of financial statements. Pending the outcome of this review the method by which the Fund's net asset values are calculated may change.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's historical financial performance. This information is derived from the Fund's audited annual financial statements.

Outstanding units	Class A		Class B	
	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
	\$	\$	\$	\$
Net asset value, beginning of period	11.68 ⁽⁴⁾	11.93	12.05 ⁽⁴⁾	12.18
Increase (decrease) from operations:				
Total revenue	0.35	0.20	0.35	0.20
Total expenses	(0.25)	(0.24)	-	-
Realized gains	0.59	(0.02)	0.60	(0.02)
Unrealized gains (losses)	0.45	(0.13)	0.46	(0.13)
Total increase (decrease) from operations ⁽¹⁾	1.14	(0.19)	1.41	0.05
Distributions:				
From income (excluding dividend income)	-	-	-	-
From dividends	0.07	-	0.34	(0.12)
From capital gains	0.57	-	0.59	-
Return of capital	-	-	-	-
Total annual distributions ⁽²⁾	0.64	-	0.93	(0.12)
Net asset value, end of period ⁽³⁾	12.18 ⁽⁴⁾	11.74	12.53 ⁽⁴⁾	12.11

⁽¹⁾ Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.

⁽²⁾ Distributions were reinvested in additional units of the Fund.

⁽³⁾ The net asset value is not a cumulative amount but rather the value of the Fund's units at the end of the period.

⁽⁴⁾ The provisions of Section 3855 have been applied for 2007 without restatement of prior periods. Accordingly, the net asset value at the beginning of the current period has been adjusted. The impact of the adoption of Section 3855 on the net asset value per share of the Fund is as follows:

	Net asset value \$	Section 3855 adjustments \$	Transactional NAV \$
Class A	12.18	0.06	12.24
Class B	12.53	0.06	12.59

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Units	Class A		Class B	
	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
Net assets (\$000's)	\$1,269.4	\$1,163.0	\$919.6	\$858.3
Number of units outstanding ⁽¹⁾	104,234	99,038	73,370	70,854
Management expense ratio ⁽²⁾	2.0	2.0%	–	–
Management expense ratio before waivers of absorptions	4.3	4.7%	4.3	4.7%
Portfolio turnover rate ⁽³⁾	37.4	31.2%	37.4	31.2%
Trading expense ratio ⁽⁴⁾	0.1%	0.2%	0.1%	0.2%

⁽¹⁾ After year end distribution.

⁽²⁾ Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of monthly average net assets during the period.

⁽³⁾ The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a funds' portfolio rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The portfolio turnover is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of investments during the period.

⁽⁴⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of monthly average net assets during the period.

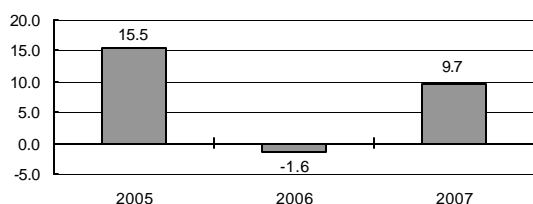
PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The rates of return are annualized for the period shown, as indicated, historical compounded total returns including changes in unit value and reinvestment of distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

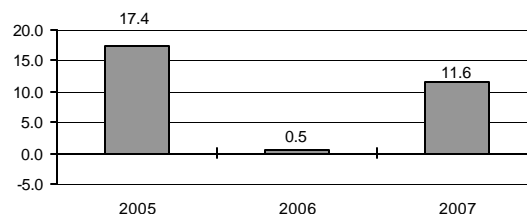
Year-By-Year Returns

The two graphs that follow illustrate the annual performance of the Class A and Class B units of the Fund. The graphs indicate how much an investment made on January 1st in the current year would have grown or decreased by December 31st of the calendar year.

Class A units (annual return in %)



Class B units (annual return in %)



ANNUAL COMPOUND RETURNS

The tables that follow show the historical annual compound return for Class A and Class B units of the Fund for each period indicated. We also compare the returns to the BMO Nesbitt Burns Small-Cap Weighted Index.

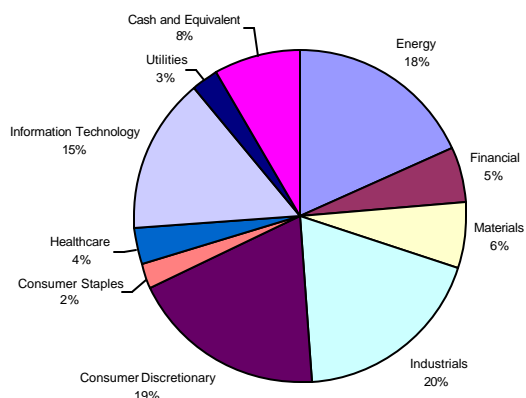
For a discussion of the Fund's relative performance to the benchmark, see the discussion under "Results of Operations".

		1 year %	2 years %	3 years %	Since inception %
VBA Canadian Partners' Fund	Class A	9.7	3.9	7.6	8.0
	Class B	11.6	5.9	9.6	10.0
BMO Small Cap Blended Weighted Total Return Index		2.0	9.1	12.5	13.1
S&P/TSX Small Cap Index		0.9	6.1	7.6	8.5

SUMMARY OF INVESTMENT PORTFOLIO

(As at December 31, 2007)

Asset Allocation



Company	% of portfolio
Toromont Industries Ltd.	4.9%
Gildan Activewear Inc.	4.1%
Mullen Group Income Fund	4.1%
Uni-Select Inc.	3.9%
Genivar Income Fund	3.7%
Stantec Inc.	3.4%
Gennum Corporation	3.4%
Atrium Biotechnologies Inc.	2.9%
Canadian Western Bank	2.8%
Energy Savings Income Fund	2.7%
MacDonald Dettwiler and Associates Ltd.	2.7%
Major Drilling Group International Inc.	2.5%
Home Capital Group Inc.	2.5%
Shawcor Ltd. 'A'	2.5%
Dorel Industries Inc. 'B'	2.4%
Garda World Security Corporation	2.3%
Alimentation Couche-Tard Inc.	2.3%
Zargon Energy Trust	2.3%
Richelieu Hardware Ltd.	2.2%
CML Healthcare Income Fund	2.2%
Descartes Systems Group Inc.	2.1%
Enerflex Systems Ltd.	2.1%
RONA Inc.	2.0%
Enghouse Systems Limited	2.0%
easyhome Ltd.	2.0%
Top 25 holdings	70.0%
Other holdings	21.6%
Cash and equivalents	8.4%
Total	100.0%

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund.

DISCLAIMER

The Management Report of Fund Performance is provided as a marketing and sales tool. The Management Report of Fund Performance is not intended to be reprinted under NI-81-106 since this Fund is not a reporting issuer.

