



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.

Canadian small-cap stocks finished the year on a high note in December but failed to erase a large performance shortfall for the year as a whole. 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.* – that 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 a 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 a low valuation 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.*, *Toromont 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*).

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 under the Fund's new name - Van Berkom Canadian Growth Fund - which will reflect our new incentive-based fee structure, for the benefits of all unitholders.

Benoît Durand  
Vice-President, Canadian Small-Cap Equities

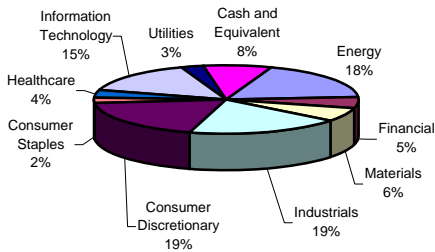


**Details of the Fund (as of December 31, 2007)**

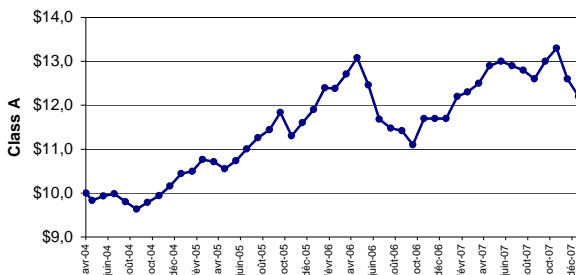
Class A Unit value: \$12,24  
 Inception date: April 30, 2004  
 Management expense ratio: 2,00%  
 Valuation frequency: Monthly  
 Net assets - Class A (in millions of CA\$): 1,21  
 Distribution: \$0,64  
 Minimum investment\*: \$150,000  
 RRSP eligible: Yes  
 CIFSC category: Canadian Small-Cap equities

\* Available to sophisticated individual investors or corporations.

**Asset Allocation**



**Unit Value**



**Performance Results**

	3 months %	YTD %	1 year %	Since inception %
VBA Canadian Partners' Fund	-0,7	9,8	9,8	8,0
BMO Small-Cap Weighted Index	-4,0	2,0	2,0	13,1
S&P/TSX Small Cap Index	-4,9	0,9	0,9	8,5

**Portfolio Overview (top 25 holdings)**

Company	% of portfolio
Toromont Industries Ltd.	4,9%
Gildan Activewear Inc.	4,1%
Mullen Group Income Fund	4,1%
Uni-Sélect Inc.	3,9%
Genivar Income Fund	3,7%
Stantec Inc.	3,4%
Genum 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%
<b>Top 25 holdings</b>	<b>70,0%</b>
Other holdings	21,6%
Cash and equivalents	8,4%
<b>Total</b>	<b>100,0%</b>

The portfolio overview will change due to ongoing transactions. A quarterly update is available.

For more information on our products and our services, please contact:

**Van Berkom and Associates Inc.**  
 1130 Sherbrooke Street West, Suite 1005  
 Montreal, Quebec CANADA H3A 2M8  
 (514) 985 5759 or 1 888 VBA-5759 or visit our web site at:  
[www.vbassociates.com](http://www.vbassociates.com)