VBA Canadian Partners' Fund

Second Quarter 2007 Newsletter

During the second quarter, small-cap stocks performed basically in line with their large-cap counterparts. The S&P/TSX Small Cap Index advanced by 6.2%, while the S&P/TSX Composite Index was up by 6.3%. Year-to-date, small-cap stocks are maintaining their outperformance, with the S&P/TSX Small Cap Index up 11.9% above the S&P/TSX Composite Index's 9.1% return. The unit value of the VBA Canadian Partners' Fund advanced by 2.7% during the second quarter, bringing the year-to-date performance to 9.5%.

As we reflect on the highlights of the first half of 2007, we may be sounding like a broken record. Indeed, the very same drivers that have fueled the market's strong performance since 2003, and which we have been referring to in the past, have continued to spur this long-lasting bull market. Earnings growth by U.S. and Canadian companies, in the most recently reported quarter (March 2007), once again surpassed investors' expectations. Also, the abundant liquidity in the equity and debt markets have fueled a record level of private equity-led mergers and acquisitions that are still making daily headlines. And of course, the old "buying on the dip" habit has remained as fashionable as ever in the investment community. Furthermore, worrisome macroeconomic data and company-specific woes were largely treated as anecdotal in nature and not endemic by the usual herd of investors that showed no hint of risk aversion in their investment actions and strategies.

As we neared the end of the June 2007 quarter, what strikes us is that the very same drivers of the current bull market have given indications that they may be about to falter. First and foremost, earnings growth is expected to moderate across industries and market capitalizations. This macroeconomic forecast is supported by the generally bleak and lackluster outlook that several large bell-weather companies from the retail, technology, industrial and transportation industries have recently given.

In Canada, although adequate, earnings growth is clearly decelerating and, going forward, we remain concerned that the current tightening monetary policy will further increase interest rates and/or the upward pressure on the Canadian dollar. Even mining and energy companies will experience earnings pressure unless commodity prices resume their increases to compensate for the strengthening Canadian dollar. History has shown that increasing interest rates and slower earnings growth can certainly stop a long standing equity bull market. On the positive side, even allowing for the recent increases, interest rates and inflation are still low. Canada's finances and economic growth is strong, especially in western provinces, and the residential and commercial construction markets are solid.

Economic concerns are higher in the U.S., the housing market shows no signs of recovery, let alone any indications of a bottoming industry, and its current woes could very well be exacerbated by the meltdown of the sub-prime mortgage market that culminated this quarter by the spectacular demise of one large Bear Stearns hedge fund. Sooner or later, the deeply troubled housing market and its ripple effects on the financial industry have to inflict some more severe wounds to the U.S. economy and the financial markets. And incredibly so, the flush liquidity provided by large banks and bond investors that has helped fuel this record level of leveraged buy-out ("LBO") activity may soon become history, with a few significant bond deals being turned down lately, such as that of *U.S. Foodservice, Inc.*, a business with stable cash flows that a year ago would have gotten very generous debt funding. All of a sudden, lenders are starting to turn their backs to bond deals with very low yields and without much protection for bondholders. Lastly, we cannot help but think that, with the spectacular Initial Public Offering ("IPO") from *The Blackstone Group* that occurred in recent weeks, followed by clear indications from several other large private equity firms and hedge fund players that they also want to join the party of public entities, we may very well be witnessing the peak of these fashionable segments of the financial industry.

As for us, with such a high level of uncertainty in the U.S. economy and in the financial markets, we continue to focus on what we do best: invest in high-quality companies that are well managed and that are positioned to outperform their peers over the long run. We have not deviated one notch from this approach, despite the numerous "flavours of the day" that this bull market has provided. Despite the strong market that has continued to be largely unfavourable with our style, we had outstanding performances from several of our largest weights in the portfolio, as well as from recent additions to the portfolio.

VBA has a very strong track record of outperformance and capital preservation in down markets. Since we have maintained the same discipline and investment style as always, we see no reason why this would not be the case once again if our concerns hold true and equity market returns become more volatile.

Benoît Durand
Vice-President, Canadian Small-Cap Equities

VAN BERKOM AND ASSOCIATES INC
ET ASSOCIÉS INC

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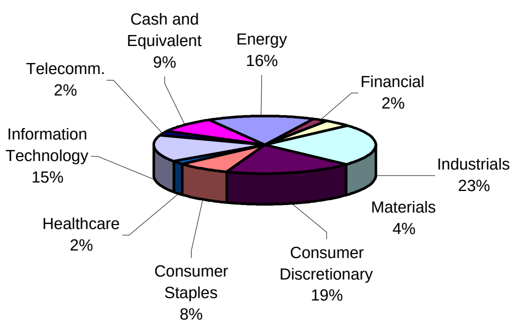
Details of the Fund (as of June 30, 2007)

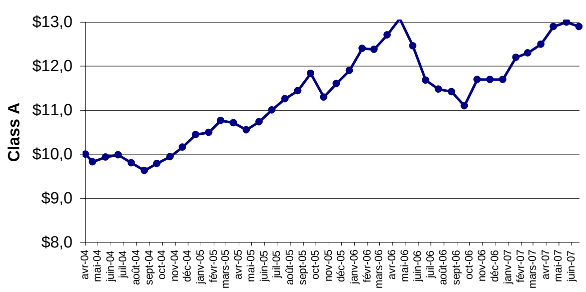
Class A Unit value:	$12,86
Inception date:	April 30, 2004
Management expense ratio:	2,00%
Valuation frequency:	Monthly
Net assets - Class A (in millions of CA$):	1,27
Distribution:	$0,00
Minimum investment*:	$150,000
RRSP eligible:	Yes
CIFSC category:	Canadian Small-Cap equities

** Available to sophisticated individual investors or corporations.*

Asset Allocation



Unit Value



Performance Results

	3 months %	YTD %	1 year %	Since inception %
VBA Canadian Partners' Fund	2,7	9,5	10,1	9,2
BMO Small-Cap Weighted Index	6,4	12,8	22,1	19,1
S&P/TSX Small Cap Index	6,2	11,9	17,5	13,3

Portfolio Overview (top 25 holdings)

Company	% of portfolio
Van Houtte Inc.	5,3%
Toromont Industries Ltd.	4,7%
MacDonald Dettwiler and Associates Ltd.	4,5%
Groupe Laperrière & Verreault Inc. 'A'	4,0%
Uni-Sélect Inc.	3,8%
Stantec Inc.	3,8%
Gildan Activewear Inc.	3,6%
Gennum Corporation	3,0%
Dorel Industries Inc. 'B'	3,0%
Mullen Group Income Fund	2,6%
Atrium Innovations Inc.	2,6%
RONA Inc.	2,4%
Stratos Global Corporation	2,3%
Zargon Energy Trust	2,3%
Shawcor Ltd. 'A'	2,3%
Enerflex Systems Ltd.	2,3%
Alimentation Couche-Tard Inc.	2,3%
Richelieu Hardware Ltd.	2,2%
Genivar Income Fund	2,2%
Home Capital Group Inc.	2,2%
Enghouse Systems Limited	2,1%
Savanna Energy Services Corp.	2,0%
Cangene Corporation	2,0%
Garda World Security Corporation	2,0%
easyhome Ltd.	1,9%
Top 25 holdings	**71,4%**
Other holdings	19,6%
Cash and equivalents	9,0%
Total	**100,0%**

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:

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