



By a long shot, the two main concerns during the first quarter of 2007 were the demise of the U.S. sub-prime mortgage market and the Shanghai equity market's sudden drop at the end of February. As it has often been the case over the past few years, the winning strategy was again to "buy on the dip". Leading economists have already concluded that any impact from the sub-prime mortgage meltdown would be significantly less severe than the Savings and Loan Crisis of the late 1980s or the "dot.com" bubble collapse. Therefore, nothing to worry about, as evidenced by the current recovery of the major equity indices (even reaching new record highs in Canada) and corporate bond spreads, which have remained tight by any historical standard. With cheap costs of debt and massive cash inflows, the private equity fund industry is pumped with all the ammunition it needs to continue hunting for takeover candidates. As for China, the recent increase in interest rates will not affect the continued strong economic growth, therefore, since the February 27 low, the Shanghai Equity Index is up more than 30%.

I am happy to report that the VBA Canadian Partners' Fund unit value increased by 6.6% during the first quarter 2007, as compared to 6.0% for the BMO Small Cap Index. I am particularly proud of this performance since more than half of the BMO Small Cap Index performance came again, as a result of the strong performance of the Material Sector (up 12.5%), in which the Fund has no direct investments. The Index performance of the Financial Sector was robust at +9.9%, while the Energy Sector was essentially flat and the Healthcare Sector declined by -6.8%.

The Partners' Fund's outperformance came as a result of strong advances by several investments. Of the 41 individual equity investments in the Fund, 17 had a return of more than +10% for the quarter and of the top ten positions. Only *Gennum Corporation* had a significant negative return (-15%). Despite the unsatisfactory return, we believe *Gennum* will significantly reward us in the long term. The company is financially strong, and the newly-appointed CEO, Dr. Franz Fink has refocused the company's sales and operations to expand onto their stronger growth market. By the end of 2007, investors will have better revenue visibility, therefore, will be in a position to recognize the tremendous potential of its product pipeline and deliver the associated profitability.

Noteworthy investments to mention are: *Van Houtte Inc.*, one of our largest positions, was up +42%, as a result of the Board's decision to sell the company. We expect an offer to materialize during the second quarter. On the contrary, a frustrating investment for us was *ATS Automation Tooling Systems Inc.* (down -26%), which cancelled the planned spin-off of its Solar Division. Following this decline, we believe the current stock price at \$8 per share does not reflect the intrinsic long-term value of the company, but with last year's execution problems in the Systems Division and the current Solar Division's cancelled IPO, ATS's management is testing our patience.

More recently, the Canadian dollar has resumed its appreciation against the U.S. dollar, the copper price recovered most of the decline suffered in the fall, nickel and uranium prices have gone through the roof and, finally, even oil prices seem to be on the uptrend. Combine this with stable interest rates, low inflation, ample liquidity and fearless investors (or reckless!!!), and this is a perfect environment for continued speculation in small-cap material stocks or any other stock that could be taken over by a private equity fund.

If sustained, outperforming the market in this environment will prove to be challenging if not impossible. Notwithstanding this, our cash position was 14.2% at quarter end and we initiated new investments in *Home Capital Group Inc.* and in *Descartes Systems Group* at prices that are quite attractive in relation to our profit growth expectations. Other attractive investments are currently being researched and, as always, with utmost adherence to the disciplined VBA approach.

Benoît Durand
Vice-President, Canadian Small-Cap Equities

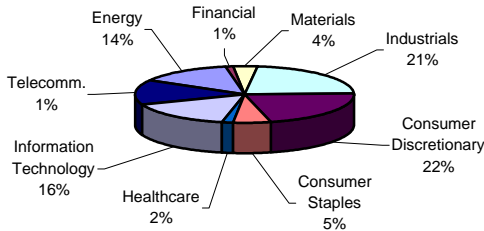


Details of the Fund (as of March 31, 2007)

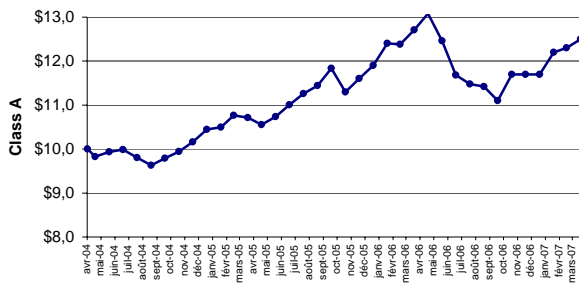
Class A Unit value:	\$12,52
Inception date:	April 30, 2004
Management expense ratio:	2,00%
Valuation frequency:	Monthly
Net assets - Class A (in millions of CA\$):	1,24
Distribution:	\$0,00
Minimum investment*:	\$150,000
RRSP eligible:	Yes
CIFSC category:	Canadian Small-Cap equities

* Available to sophisticated individual investors or corporations.

Asset Allocation



Unit Value



Performance Results

	3 months %	YTD %	1 year %	Since inception %
VBA Canadian Partners' Fund	6,6	6,6	-1,5	9,1
BMO Small-Cap Weighted Index	6,0	6,0	9,0	18,3

Portfolio Overview (top 25 holdings)

Company	% of portfolio
Van Houtte Inc.	5,4%
MacDonald Dettwiler and Associates Ltd.	5,1%
Toromont Industries Ltd.	4,4%
Uni-Sélect Inc.	4,0%
Stantec Inc.	3,8%
Dorel Industries Inc. 'B'	3,7%
Groupe Laperrière & Verreault Inc. 'A'	3,7%
Gildan Activewear Inc.	3,5%
Gennum Corporation	3,4%
Shawcor Ltd. 'A'	2,9%
Enerflex Systems Ltd.	2,8%
RONA Inc.	2,6%
Iteration Energy Ltd.	2,6%
Enghouse Systems Limited	2,3%
Zargon Energy Trust	2,3%
Richelieu Hardware Ltd.	2,2%
Savanna Energy Services Corp.	2,0%
Atrium Biotechnologies Inc.	2,0%
easyhome Ltd.	1,9%
Martinrea International Inc.	1,8%
MEGA Brands Inc.	1,7%
Garda World Security Corporation	1,7%
Genivar Income Fund	1,7%
Miranda Technologies Inc.	1,5%
Cangene Corporation	1,4%
Top 25 holdings	70,4%
Other holdings	15,4%
Cash and equivalents	14,2%
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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