



The Montreal CFA Society

Fairmont Queen Elisabeth Hotel

May 11, 2006

SMALL-CAP OUTLOOK

J. Sebastian van Berkom

Van Berkom and Associates Inc.

AGENDA



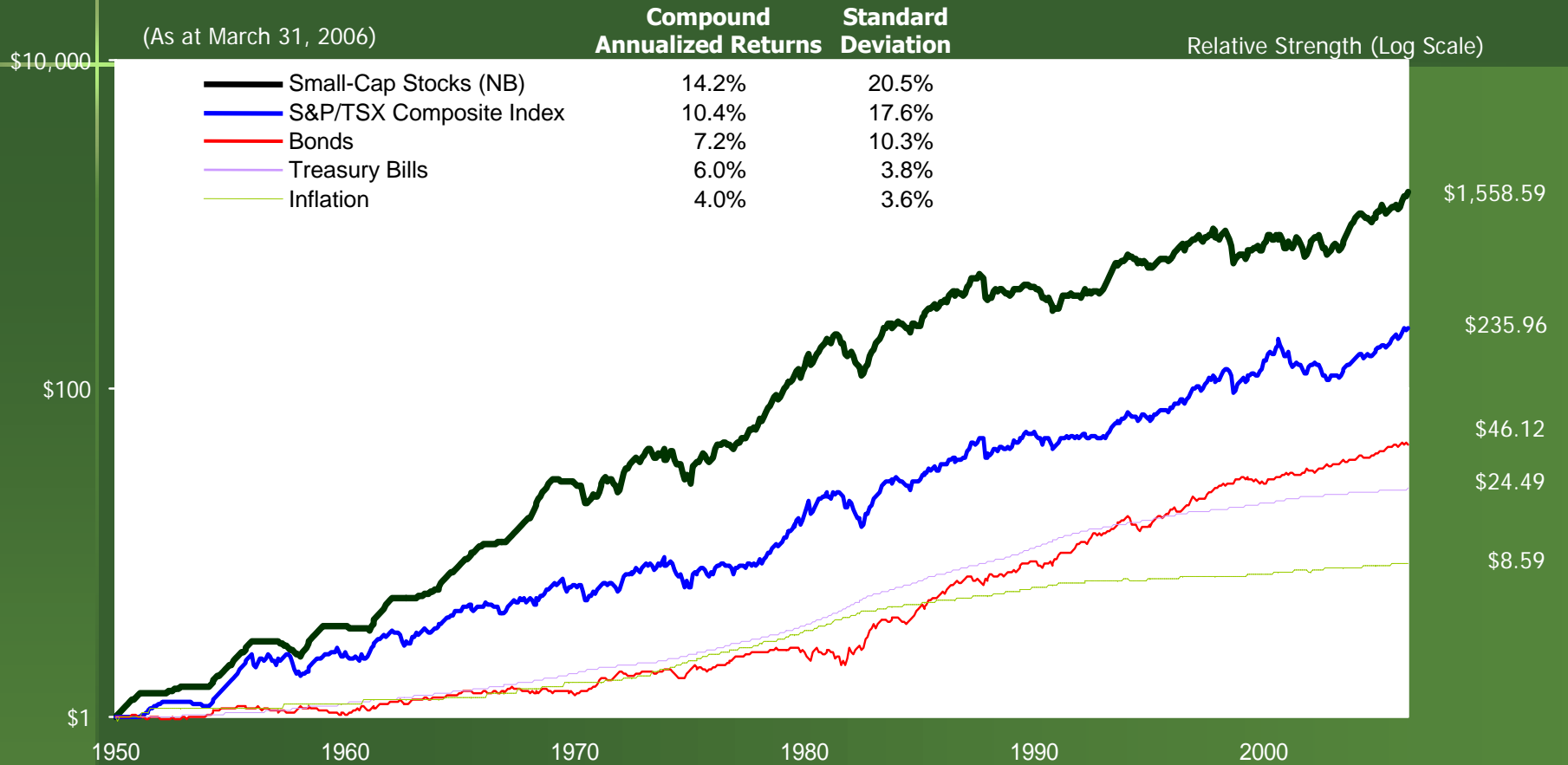
- The Big Picture
- Small-Cap Outlook
- Importance of Investment Philosophy & Disciplines
- Five Successful Graduates
- Five Potential Young Thoroughbreds
- Conclusion



THE BIG PICTURE

WHY SMALL-CAPS (CANADA)?

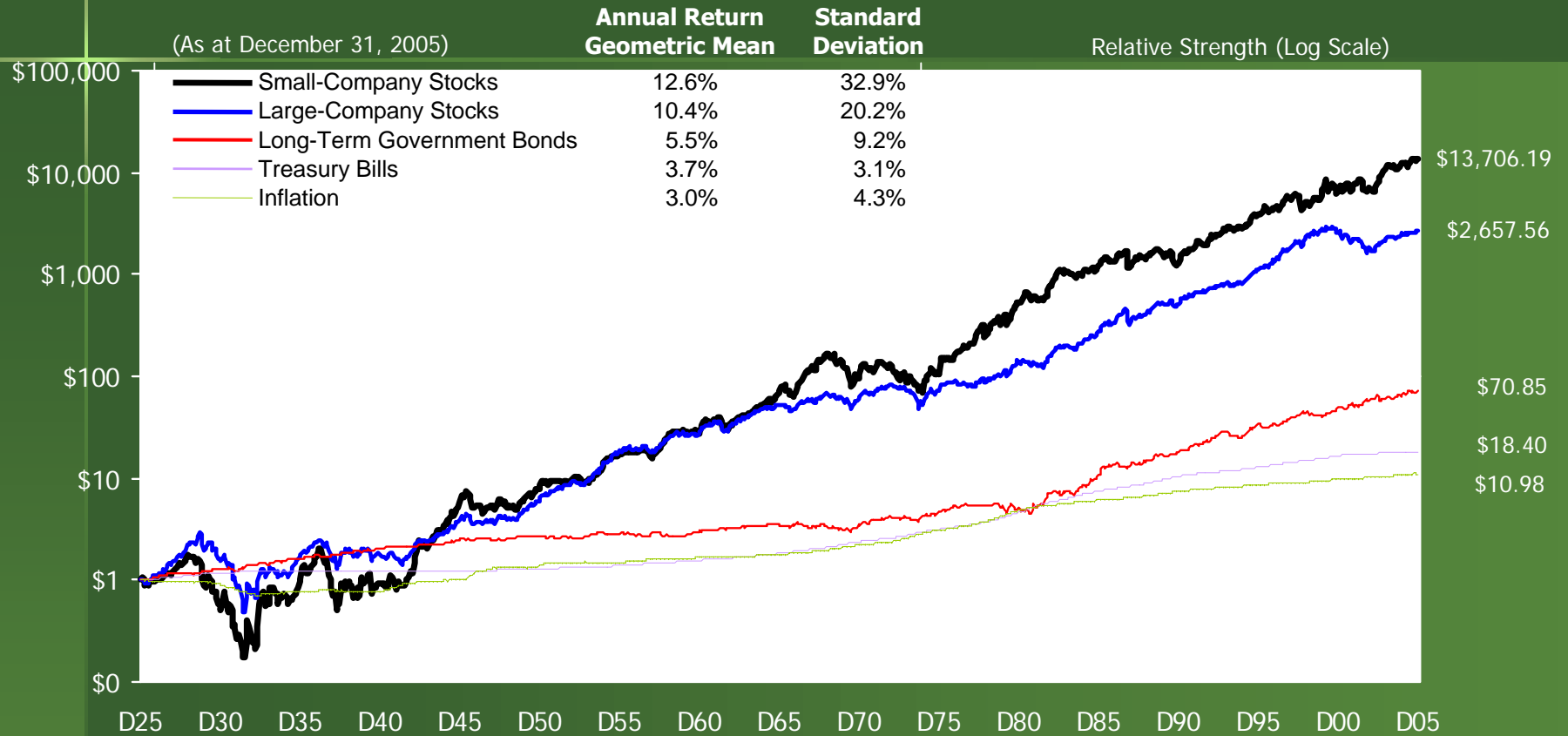
Stocks, Bonds, T-Bills and Inflation (1950-2006)



Source: The statistics from 1950 to 1969 are the Hatch & White Series. Statistics from 1969 onward are the BMO Nesbitt Burns series.

WHY SMALL-CAP STOCKS (UNITED STATES)?

Stocks, Bonds, T-Bills and Inflation (1925-2005)



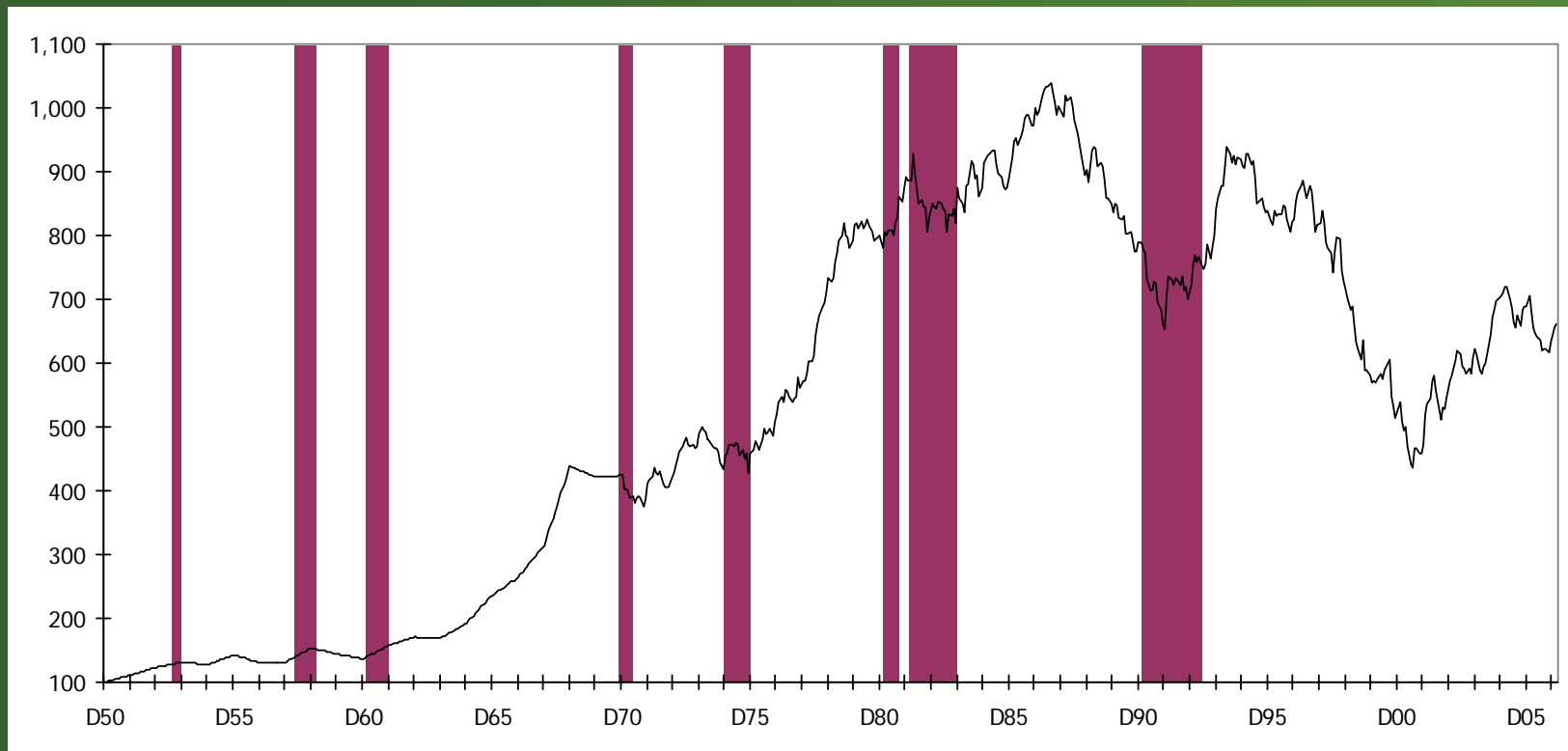
Source: Ibbotson Associates

SMALL-CAP CYCLES IN CANADA (1950-2006)

Hatch & White/BMO Nesbitt Burns Small-Cap Index vs S&P/TSX Composite Index

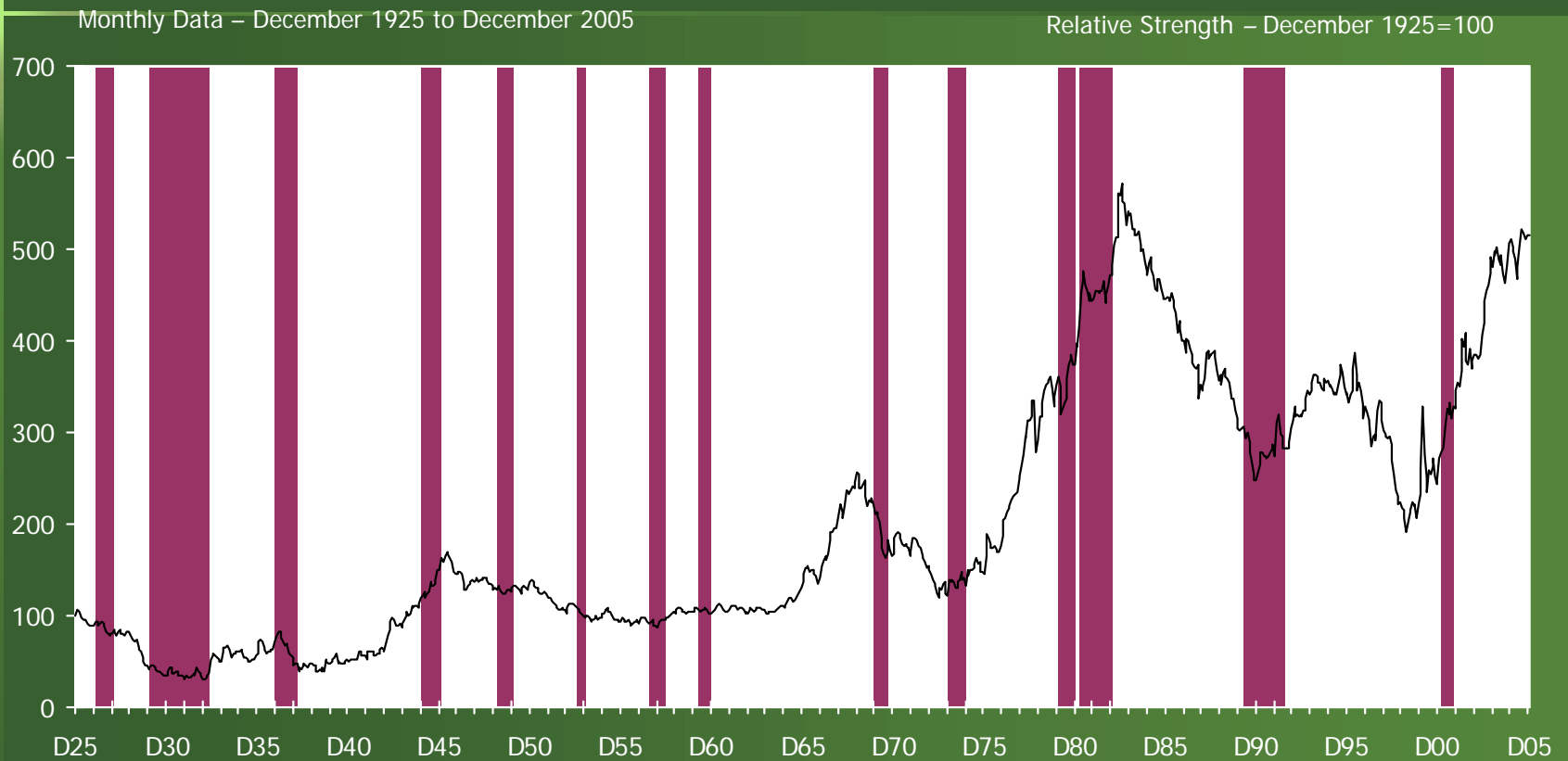
Monthly Data – December 1950 to March 2006

Relative Strength – December 1950=100



Note: Prior to 1970 the Small-Cap Total Return Index is the Hatch & White Small-Cap Total Return Unweighted Index and thereafter, the BMO Nesbitt Burns Small-Cap Blended Total Return Unweighted Index.

IBBOTSON ASSOCIATES SMALL CAP TOTAL RETURN INDEX VS S&P 500 TOTAL RETURN INDEX



Source: Ibbotson Associates



THE SMALL-CAP OUTLOOK

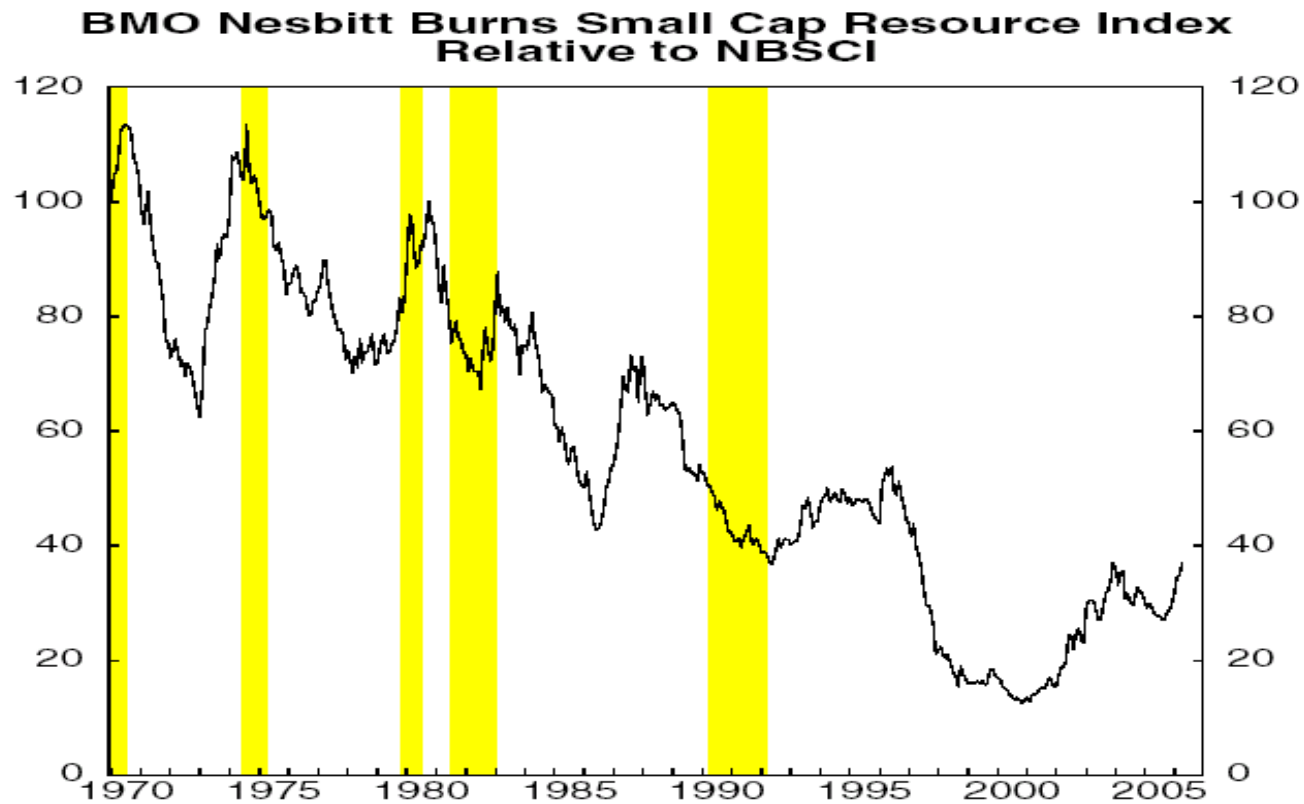
WEIGHTINGS BY SECTOR – SMALL-CAP VS S&P/TSX INDICES

(As at March 31, 2006)

Sector	S&P/TSX Composite	S&P/TSX Small Cap	BMO NB Small Cap (Blended)
Interest Rate Sensitive	36.2%	14.1%	14.1%
Consumer	9.1%	15.2%	19.3%
Industrial	9.6%	8.2%	13.9%
Resources	45.1%	62.5%	52.7%
	100.0%	100.0%	100.0%

RESOURCES – RELATIVE TO NESBITT BURNS SMALL CAP INDEX

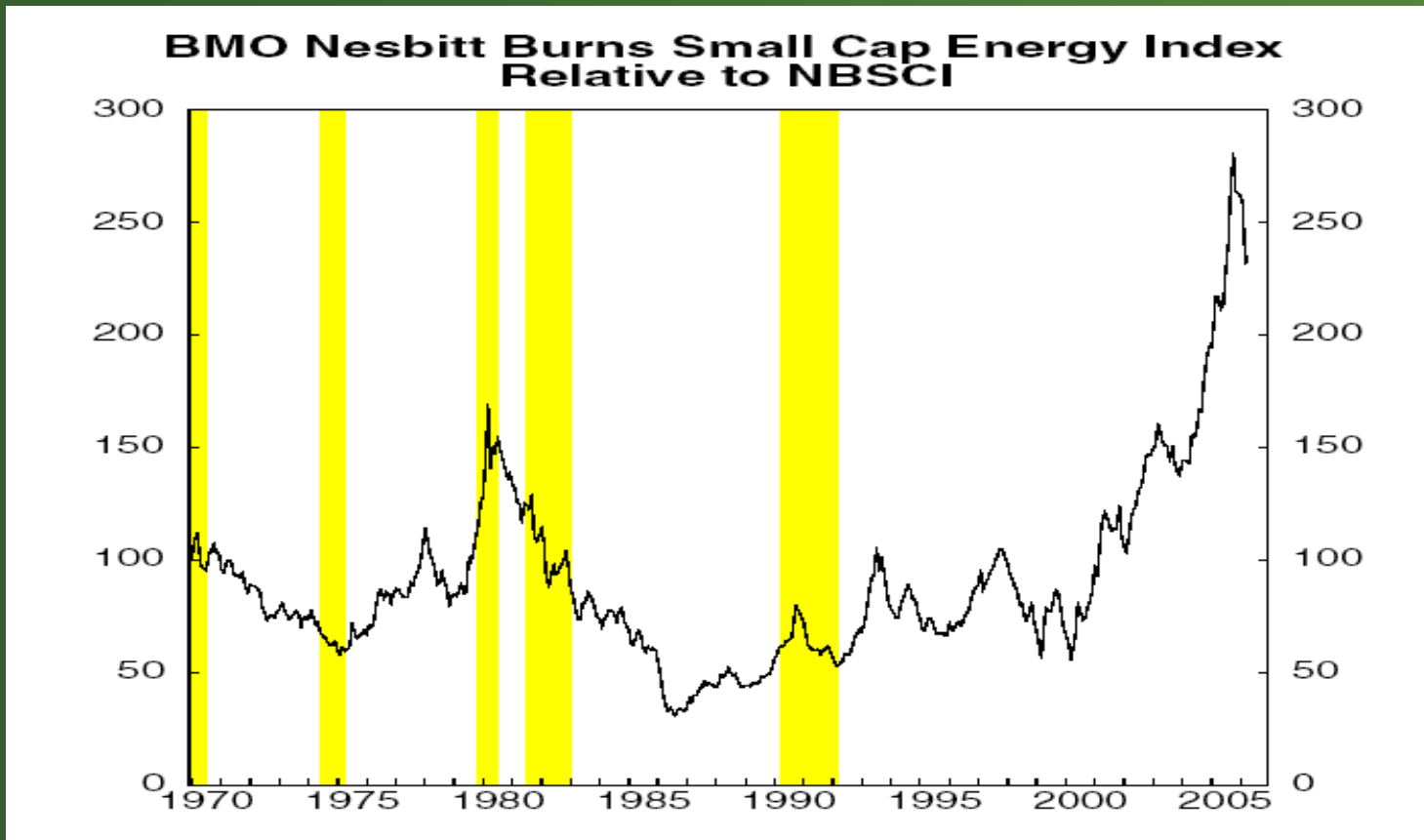
(Dec. 1969 to March 2006)



Source: BMO Nesbitt Burns

ENERGY – RELATIVE TO NESBITT BURNS SMALL-CAP INDEX

(Dec. 1969 to March 2006)



Source: BMO Nesbitt Burns

CRB METALS SUB-INDEX 1967=100

CRB Metals Sub-Index 1967=100
(monthly close) January 1947 - March 2006

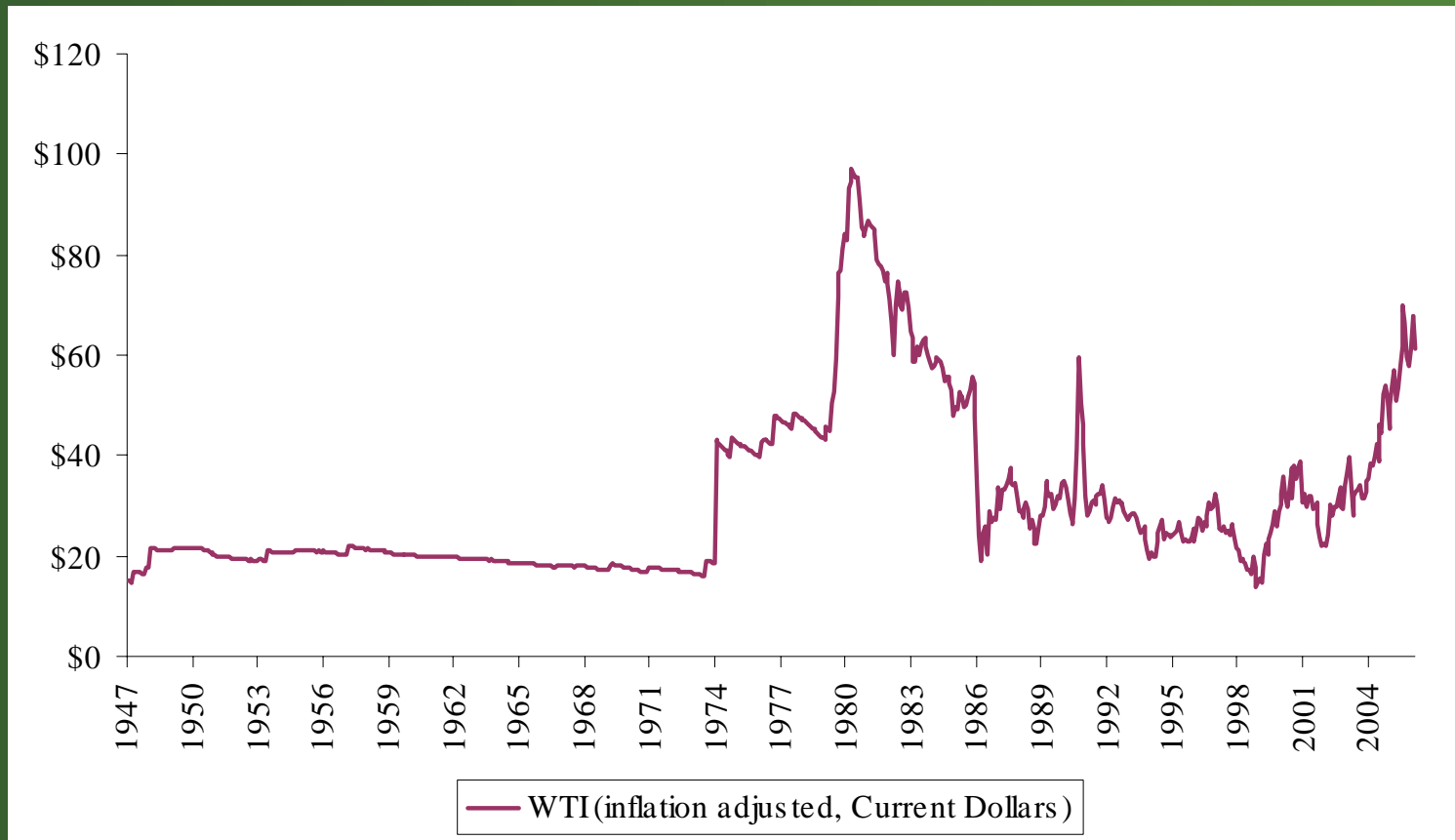
© Commodity Research Bureau

Index Value



WTI PRICES (INFLATION ADJUSTED, CURRENT DOLLARS)

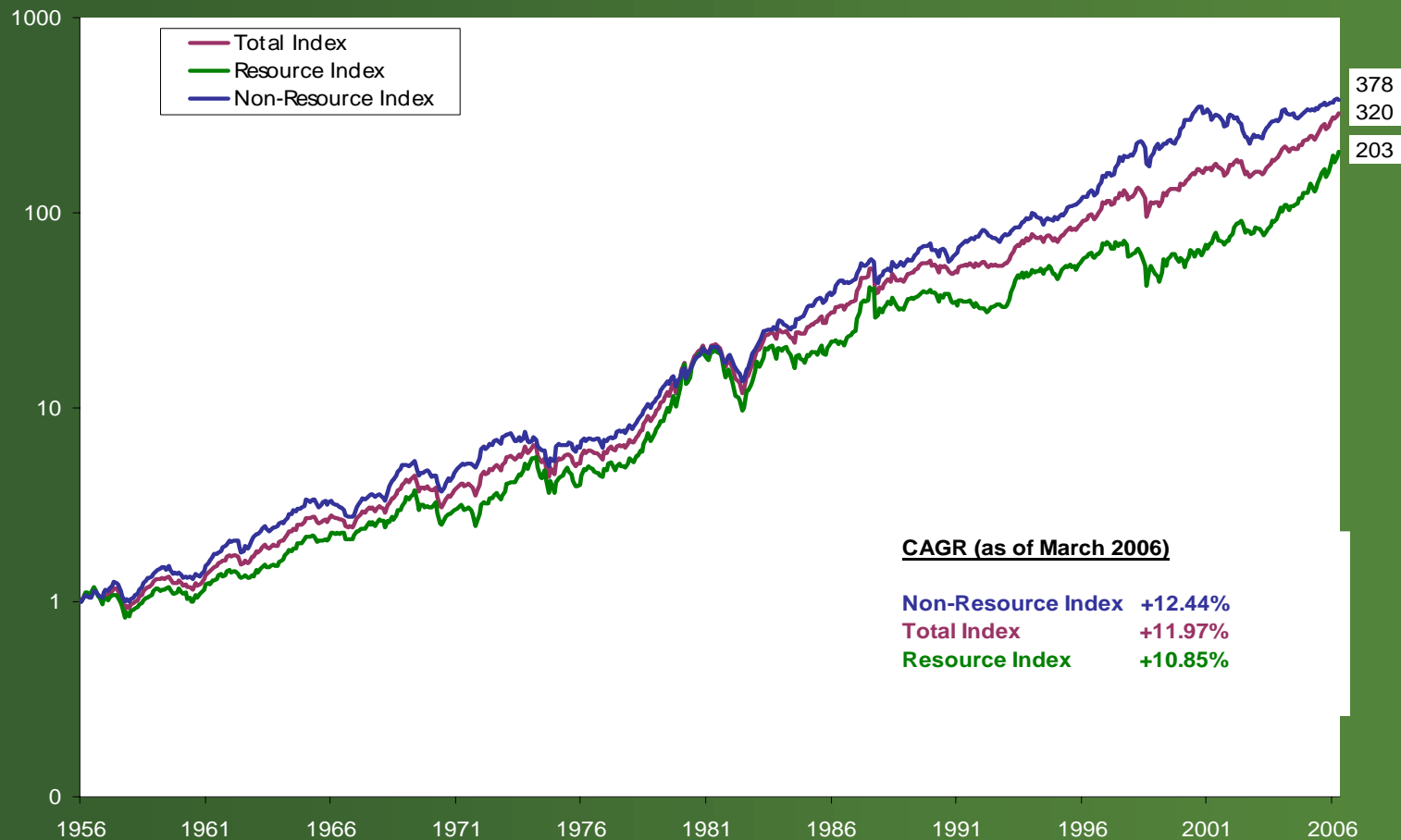
(January 1947 to February 2006)



Source: Bloomberg, Scotia Capital

RESOURCES VS NON-RESOURCES VS TOTAL INDEX (EQUAL-WEIGHTED)

(January 1956 to April 2006)



Source: TD Securities



IMPORTANCE OF INVESTMENT PHILOSOPHY & DISCIPLINES

VBA'S INVESTMENT PHILOSOPHY

FOCUS

- Concentrate on Early-Established Growth Companies
- Try to Find the next C.I. Fund Management or Alimentation Couche-Tard Inc.
- These Stocks Provide the Double Play Potential (Earnings Growth Plus Long-Term P/E Expansion)

VBA'S DEFINITION OF EARLY-ESTABLISHED GROWTH STOCKS

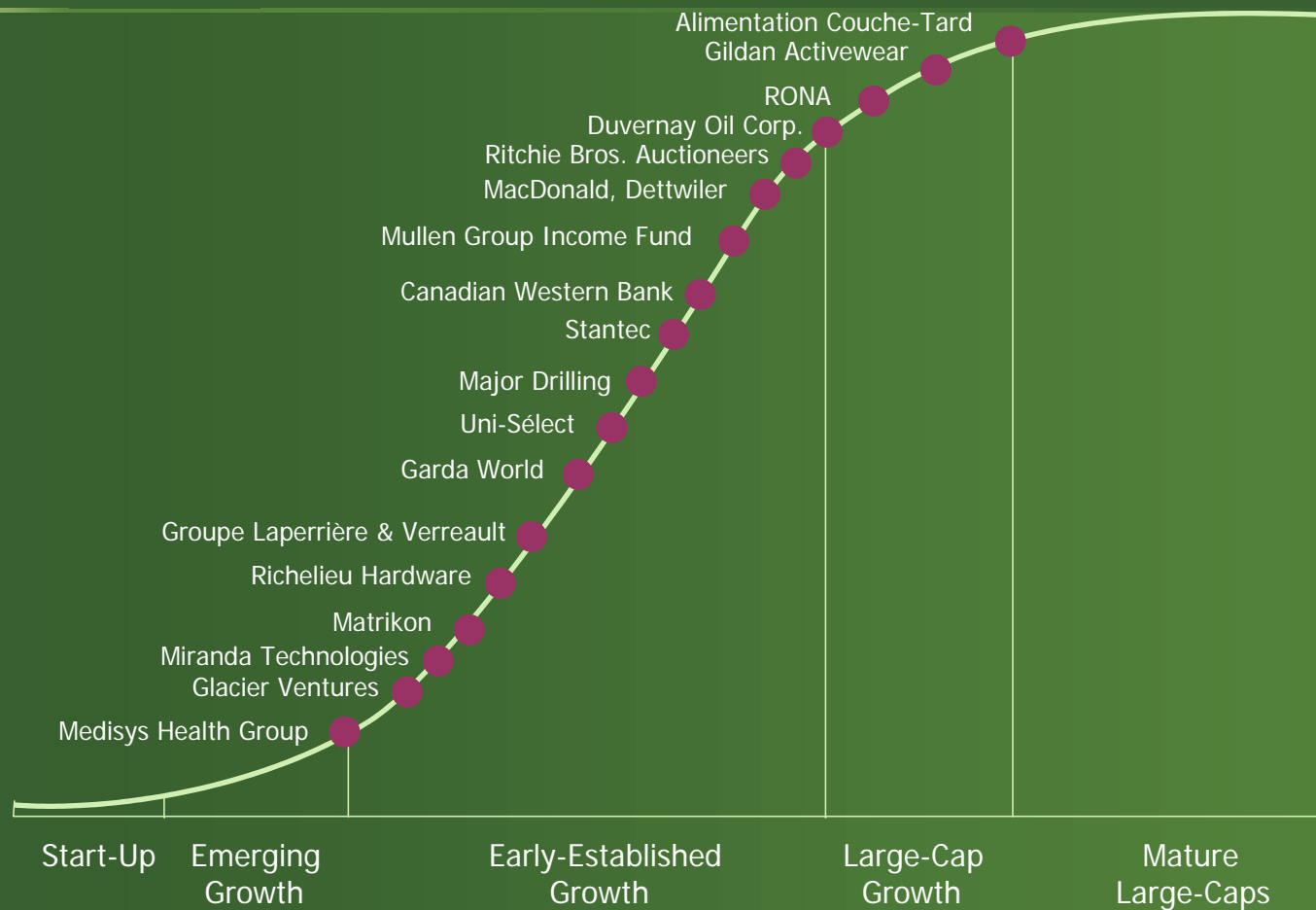
- Several Years of Consistent Growth in Revenues and Earnings Before Purchase
- Companies with High Returns on Capital
- Strong Balance Sheet

VBA'S DEFINITION OF EARLY-ESTABLISHED GROWTH STOCKS

- Proven Management with Significant Stock Ownership
- Companies Less Vulnerable to Business/Commodity Cycles
- Positive Long-Term Growth Prospects-Global Reach Helps

CORPORATE LIFE CYCLE

(As at March 31, 2006)

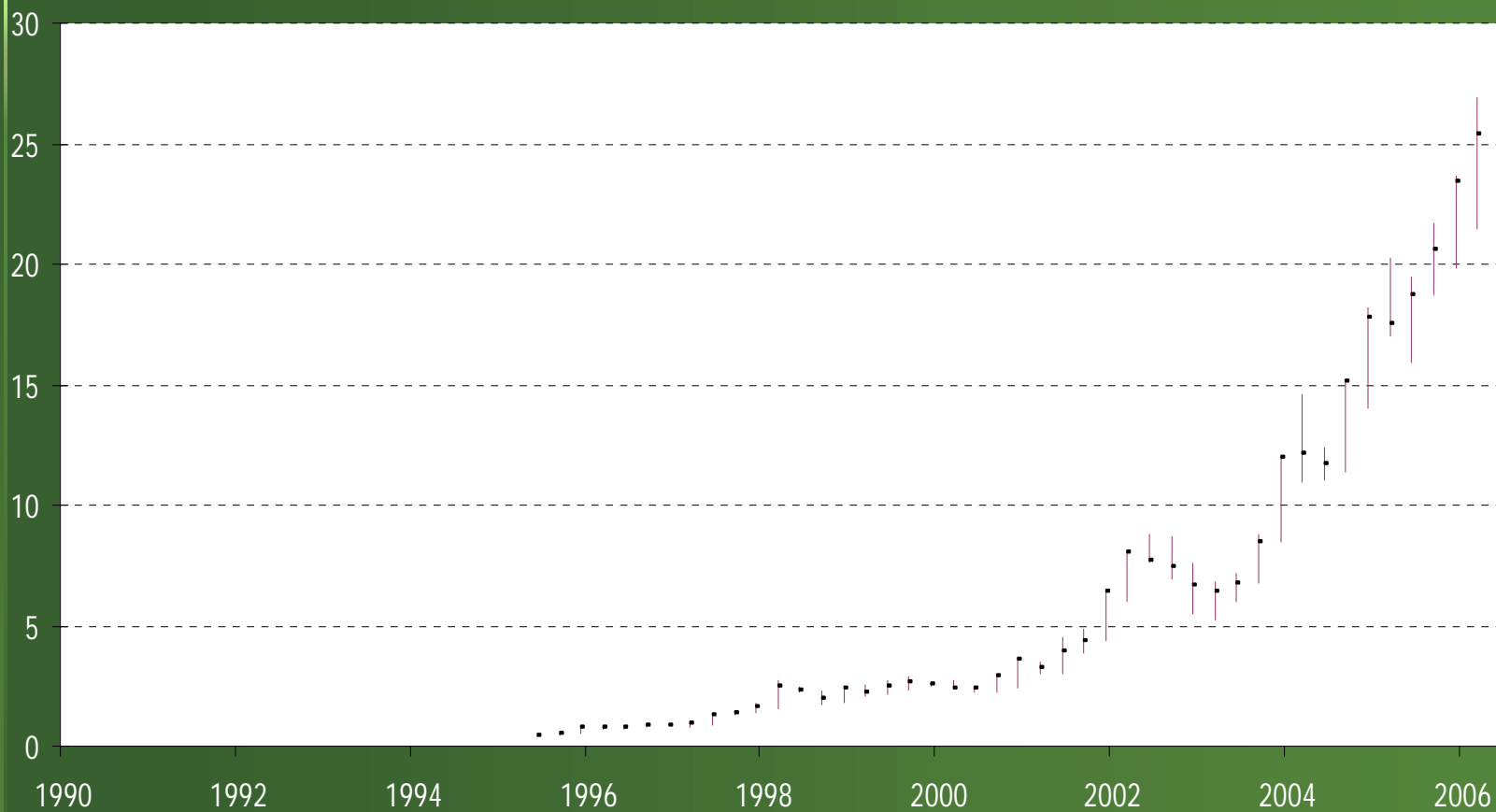


FIVE SUCCESSFUL GRADUATES (COMPANY – MKT CAP)



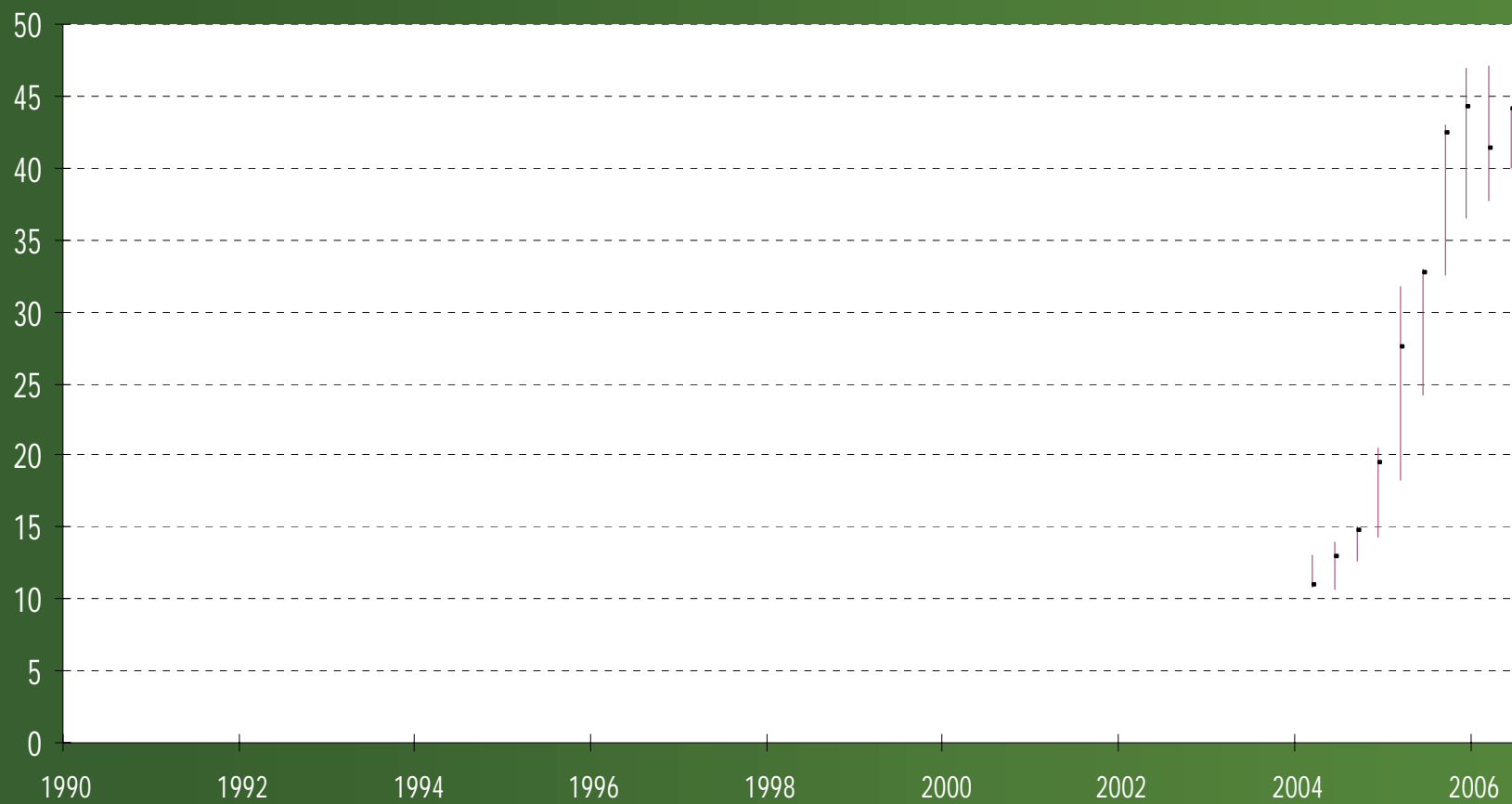
Alimentation Couche-Tard Inc. (\$5,132 M)
Duvernay Oil Corporation (\$2,171 M)
MacDonald, Dettwiler and Associates Ltd. (\$1,866 M)
Ritchie Bros. Auctioneers Inc. (\$1,989 M)
Stantec Inc. (\$990 M)

ALIMENTATION COUCHE-TARD INC. (\$5,132 M)



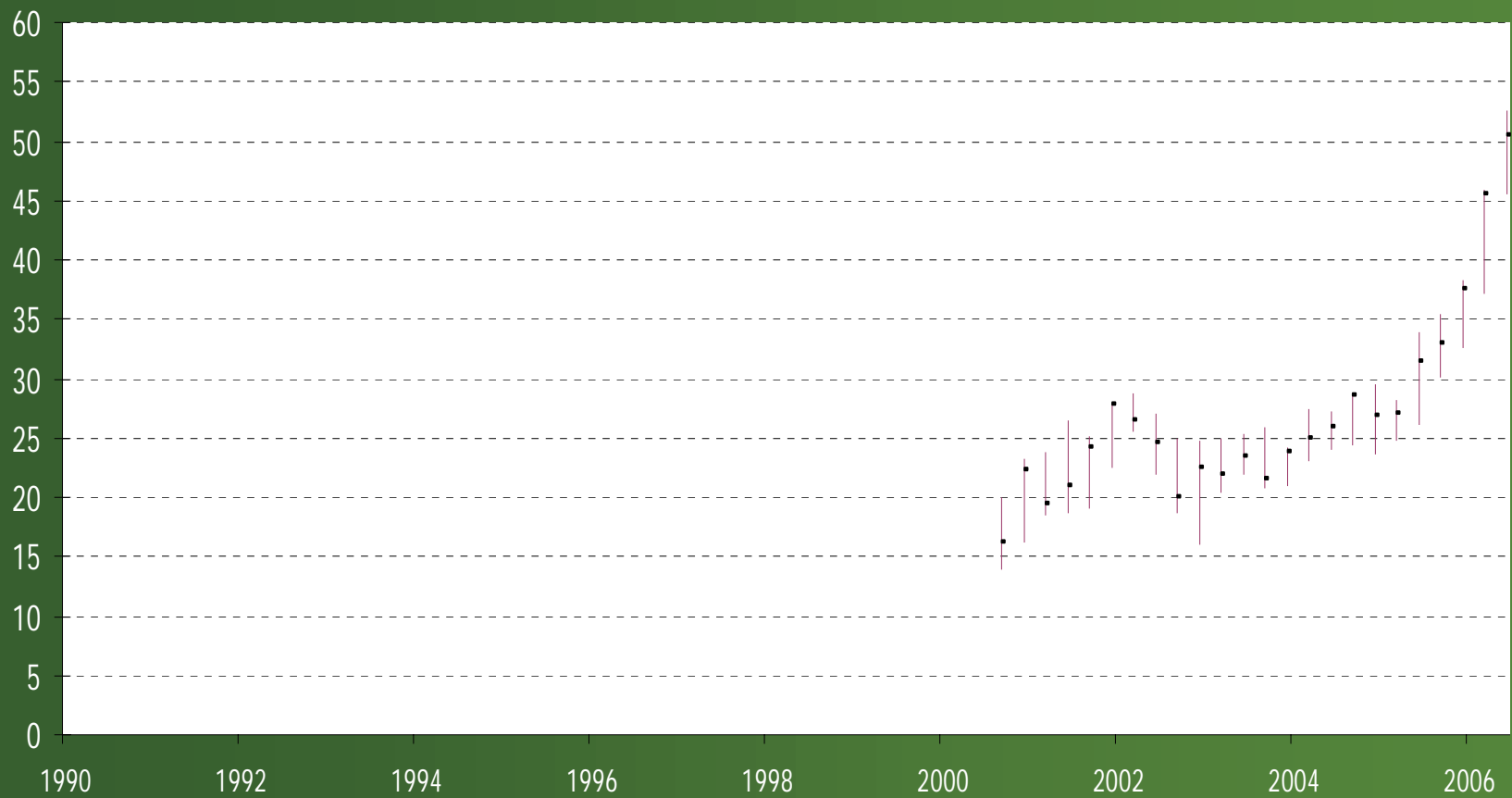
Source: RBC Capital Markets, Trend & Cycle

DUVERNAY OIL CORPORATION (\$2,171 M)



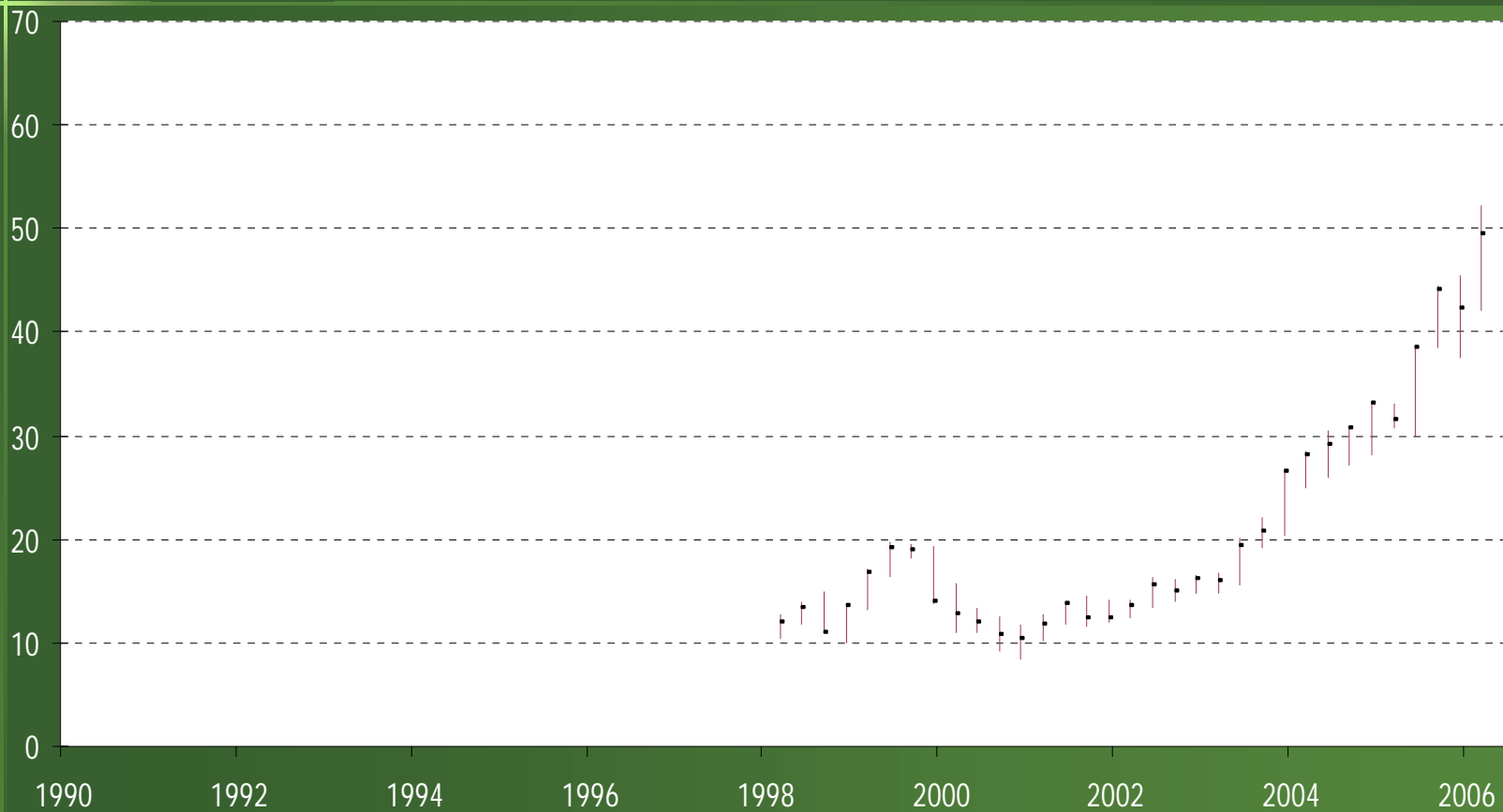
Source: RBC Capital Markets, Trend & Cycle

MACDONALD, DETTWILER AND ASSOCIATES LTD. (\$1,866 M)



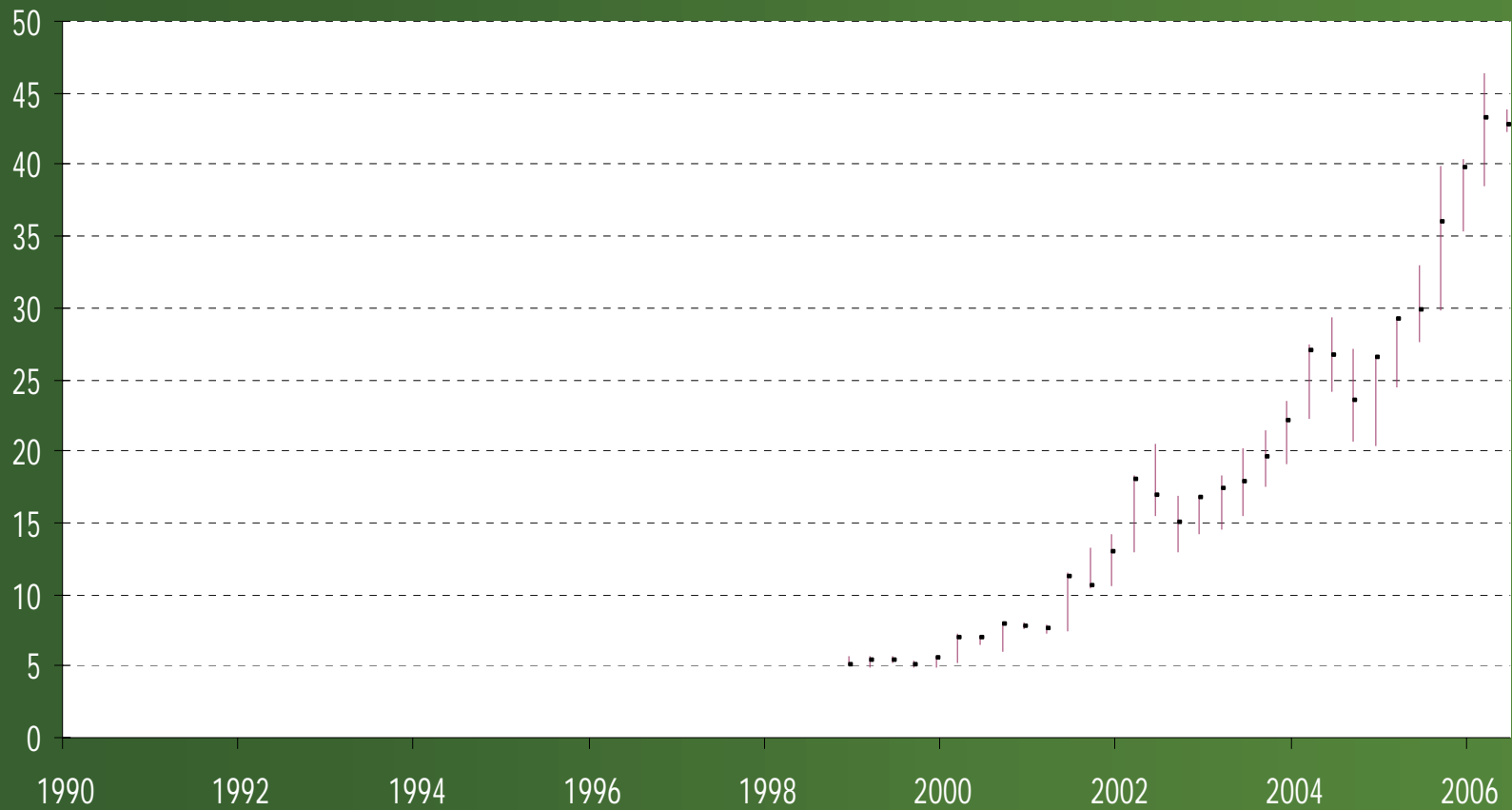
Source: RBC Capital Markets, Trend & Cycle

RITCHIE BROS. AUCTIONEERS INC. (\$1,989 M)



Source: RBC Capital Markets, Trend & Cycle

STANTEC INC. (\$990 M)



Source: RBC Capital Markets, Trend & Cycle

FIVE POTENTIAL YOUNG THOROUGHBREDS (COMPANY– MARKET CAP)



easyhome Ltd. (\$168 M)

Glacier Ventures International Corp. (\$127 M)

Matrikon Inc. (\$169 M)

Medisys Health Group Inc. (\$107 M)

Miranda Technologies Inc. (\$354 M)

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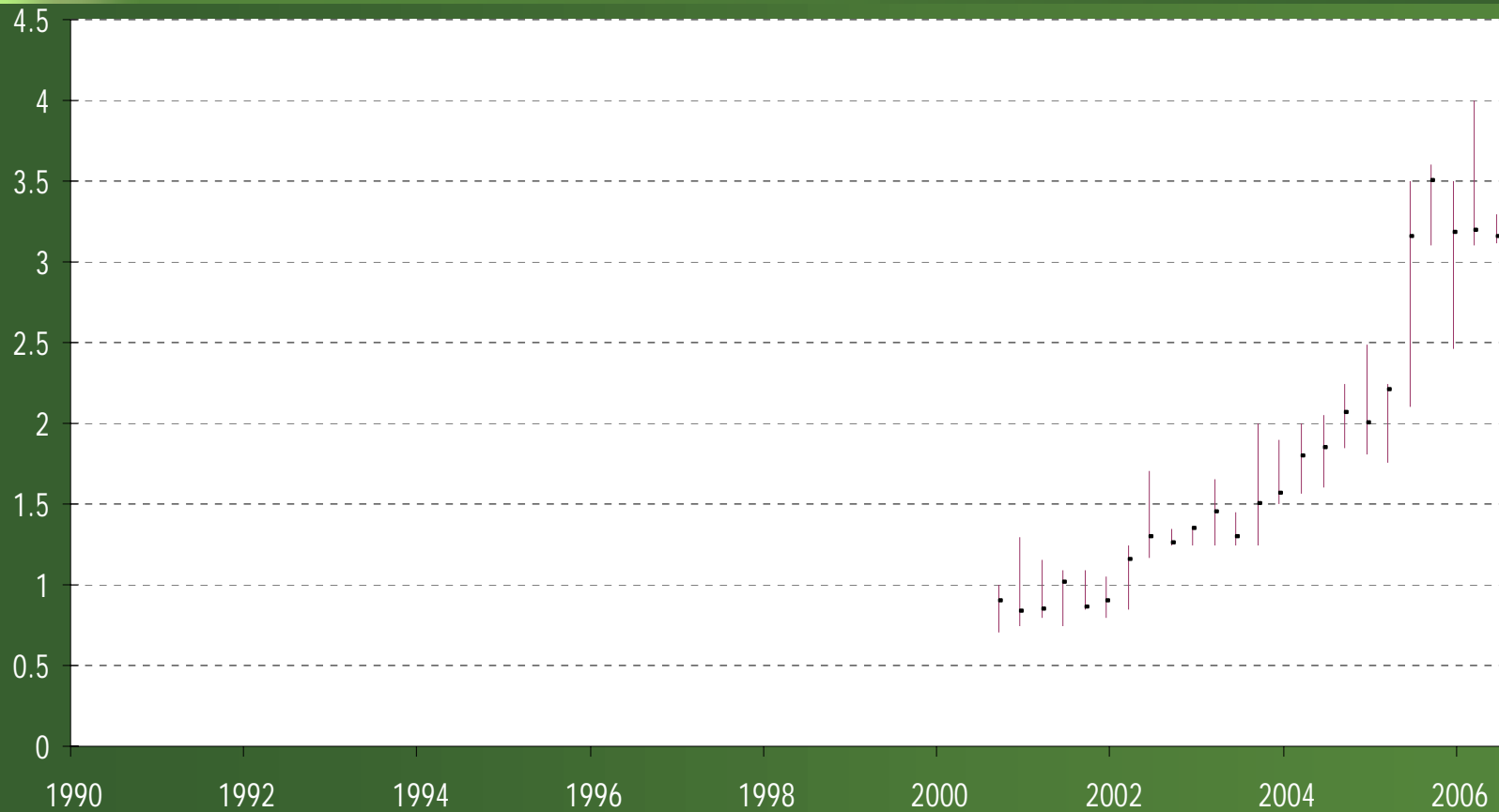
Alone in the Stretch

EASYHOME LTD. (\$168 M)



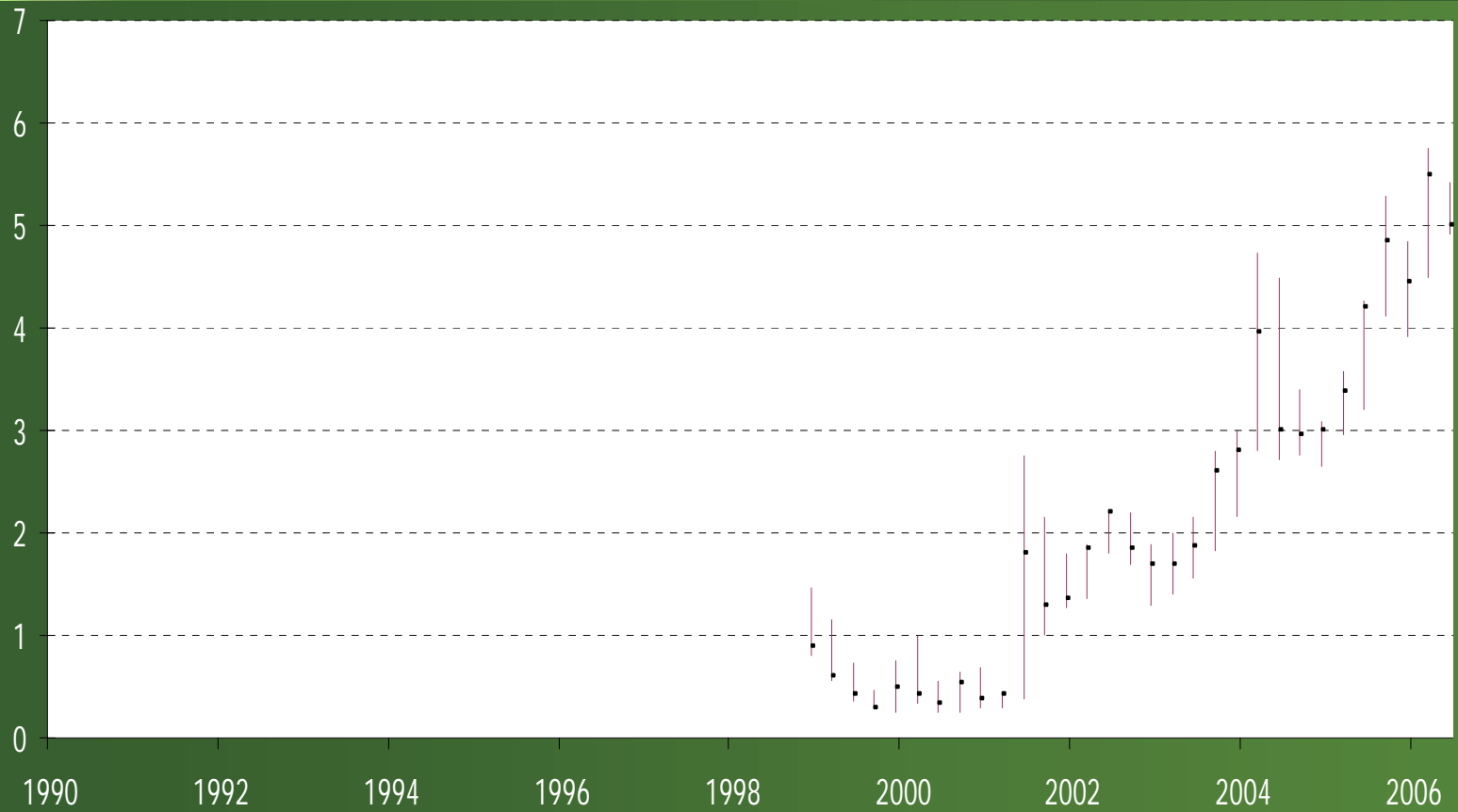
Source: RBC Capital Markets, Trend & Cycle

GLACIER VENTURES INTL. CORP. (\$127 M)



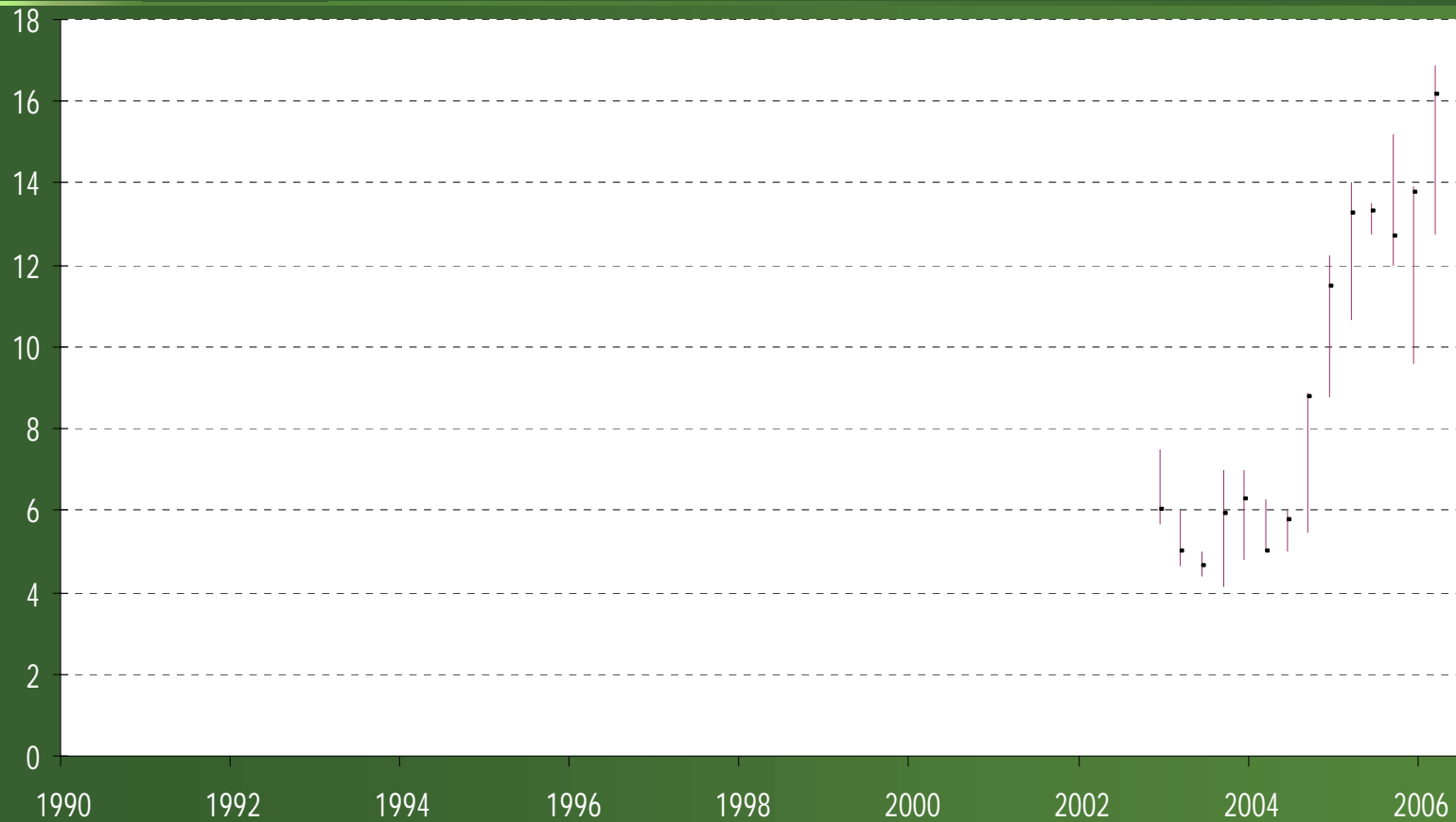
Source: RBC Capital Markets, Trend & Cycle

MATRIKON INC. (\$169 M)



Source: RBC Capital Markets, Trend & Cycle

MEDISYS HEALTH GROUP INC. (\$107 M)



Source: RBC Capital Markets, Trend & Cycle

MIRANDA TECHNOLOGIES INC. (\$354 M)



Source: RBC Capital Markets, Trend & Cycle



CONCLUSION



SMALL IS BEAUTIFUL