ANNUAL REPORT
December 31st, 2010

Performance

To December 31st, 2010 the performance of the **HughesLittle Value Fund** and the **HughesLittle Balanced Fund** was as follows:

	Value Fund *(non-RSP)*	**Balanced Fund** (*RSP*)
Pre-Distribution Price	$ 11.15	$ 10.26
2010 Distribution	$ 0.03	$ 1.05
Post-Distribution Price	$ 11.12	$ 9.21
Distributions Paid Per Unit Since Inception	$ 1.26	$ 3.50
One Year	4.4 %	6.4 %
Annualized Return Since Inception	4.1 %	5.3 %
Annualized Return S&P/TSX	8.6 %	7.3 %
Annualized Return S&P 500 CDN$	- 0.7 %	- 0.7 %

Annual Returns as of December 31st

	2010	**2009**	**2008**	**2007**	**2006**
Value Fund	4.4 %	34.5 %	-27.6 %	1.8 %	19.6%
Balanced Fund	6.4 %	28.6 %	-23.6 %	5.3 %	18.6 %
S&P/TSX Index	17.6 %	35.1 %	-33.0 %	9.8 %	17.3 %
S&P 500 CDN$	9.4 %	8.7 %	-22.6 %	-10.3 %	16.0 %

Notes: The Value Fund commenced operations June 30th, 2005 at a unit value of $10.00.
The Balanced Fund commenced operations August 31st, 2005 at a unit value of $10.00
Performance results are net of investment management fees and Fund expenses.
Index returns correspond to Fund inception dates. S&P 500 Index return is converted to Cdn$.

In our reporting, one of our objectives is to tell you, what we'd like to know, if our roles were reversed. And top of mind, is usually what's driving past and future performance.

Our unit values are driven by price changes and the income generated from the securities we own. In our experience, there are three important determinants to making money in any investment:

1. Price.
2. Performance.
3. Emotions.

Some investors think the *only* difference between investing success and failure is price. We would not debate this view. The Coca Cola Company, Microsoft, Berkshire Hathaway, and Pfizer for example, are all healthy successful companies, yet have generated flat to sharply negative shareholder returns over the past 12 years! Great companies, yet terrible investments over this period. The reason? Investors, who purchased these companies' shares 12 years ago, paid too high a price.

What we mean by 'too high a price,' is the price paid for shares was well above fair or intrinsic value. Intrinsic value, recall, reflects estimated future profits of the underlying company. A share price that's too high is overvalued. Meaning, investor's expected profits that were higher than actual profits delivered. As profits delivered fall short of those lofty expectations the share price falls in response, negatively impacting shareholder returns.[1]

For some investors however, the very same companies listed above have been excellent investments. The difference being mainly the price paid for shares. The Coca-Cola Company is a good example. Investors who purchased Coca-Cola shares six months ago have enjoyed a 30 percent return. If you'd purchased Coca-Cola stock 20 months ago, you'd have a 60 percent return.

The real winners in Coca-Cola shares however have been the company's longer-term shareholders. Investors who held onto their Coca-Cola stock over the past five years have a 12 percent annual return. Buy-and-hold investors who have held their Coca-Cola shares for the

[1] When we refer to 'Investor expectations' generally, we mean the collective opinion of a company's future financial results from all the market's investors, speculators, and analysts who buy and sell that company's shares.

past 30 years have experienced an 11 percent annual return or made 22 times their original investment – trouncing the major U.S. equity indices.

This is where our discussion gets interesting and we think, differentiates HughesLittle from most other managers. No question price matters and our decisions rely heavily on our valuation work. But what's also critical to long-term success is focusing on the correct *drivers* of intrinsic business value and sticking with your decisions if these *drivers* remain healthy.

Coca-Cola's 30-year record comes from management's ability to drive long-term growth in the intrinsic value of their business. A big driver has been Coca-Cola's nearly 10 percent per year profit growth over the 30 years. Furthermore, Coca-Cola has generated returns on its capital employed well above its capital costs. These are significant numbers.

You may be inclined to think that with these numbers The Coca-Cola Company has been a joy to own. Coca-Cola's shares trade on the New York Stock Exchange. As such, even with its long-term track record, Coca-Cola shareholders have endured extreme share price volatility and many periods of lackluster returns.

There are 1,001 reasons why the share prices of even outstanding companies underperform for short periods. But if your assumptions are sound, you have not over paid, and you have conviction and patience; you will earn more than satisfactory returns. Unfortunately, the vast majority of investors in The Coca-Cola Company since 1980 likely have personal returns on Coca-Cola's stock far lower than 11 percent: Few would have stuck it out.

Investors who reap the biggest rewards are those who are prepared for their investments to underperform for shorter periods. A stock that sits flat for five years then doubles in price in the sixth year is still a 12 percent annual return.

We stuck with the vast majority of the same companies in both Funds over 2010. New capital was invested mainly in existing positions. We did add one new name and made a few sales. After allowing for those changes, the underlying performance of our portfolio companies continues to be well above the performance of the average publicly traded company. Over the year, our companies' revenue growth averaged about 10 percent, earnings were up about 20 percent, and the average return on capital for our companies was in excess of 20 percent.

In terms of price-to-value of our holdings we estimate most of our companies' share prices currently undervalue their long-term fundamentals. Our largest two holdings for instance, both continue to grow their 'intrinsic values' through healthy corporate performance, yet experienced share price declines over 2010. At present we estimate these two holding's share prices are 60 percent of fair value. The market prices of the remainder of the Funds' holdings range from 40 to 75 percent of fair value.

Our View on Banks and Gold

Most banking stocks and gold performed well in 2010. We continue however to have a very low exposure to banking related businesses and no gold. As for banks, we are entirely uncomfortable with their balance sheet risks. We cannot properly assess asset quality (nor have we found anyone who can) and the high leverage of assets-to-shareholder's capital, concerns us.

The Funds have no exposure to gold. To us, gold is a shiny metal with aesthetic appeal but limited utility. Gold throws off no cash flow or income. We have no ability to estimate gold's intrinsic value.

Portfolio Review	Value Fund (Non-RSP)	Balanced Fund (RSP)
By Asset Class		
Canadian Equities	37 %	30 %
U.S. Equities	31 %	27 %
Foreign Equities	24 %	26 %
Canadian Fixed Income	8 %	17 %
By Industry		
Business Services	12 %	11 %
Consumer Products	19 %	19 %
Financial Services	27 %	25 %
Agriculture	8 %	6 %
Oil & Gas	14 %	14 %
Consumer Services	12 %	8 %
Canadian Fixed Income	8 %	17 %

During the fourth quarter both Funds added money to existing holdings in agriculture and oil and gas. Both Funds also sold two other oil and gas companies.

We include a full list of the quarter's buy and sell activity in the attached Investment Review.

As of December 31st, the Value Fund is 92 percent invested in 18 operating companies. The Fund owns nine Canadian companies, four U.S. companies, and five holdings based outside of North America. The Value Fund's top five positions make up 49 percent of the Funds' assets.

The Balanced Fund is 83 percent invested in the common shares or units of eight Canadian companies, four U.S. companies, and five companies based outside of North America. The Balanced Fund's top five positions make up 37 percent of the Funds' assets.

2010 Distribution

The Funds distribute their net income and realized capital gains to unit holders annually. The Funds do this so the Funds themselves do not pay tax.

Distributions for 2010 are three cents per unit for the Value Fund and $1.05 per unit for the Balanced Fund. The Value Fund's distribution is dividend income only, no taxable capital gains. Distributions are automatically reinvested in additional units of the Funds for each unit holder (unless we are instructed otherwise for Value Fund unit holders only).

Enclosed for unit holders of both Funds is a confirmation of your distribution. Value Fund unit holders will also receive on or before February 28th, 2011 a T3 Supplementary. Both the Value Fund confirmation statement and the T3 Supplementary give a breakdown of the types of income that made up the distribution. The T3 Supplementary form is necessary for income tax purposes.

Unit holders in the Balanced Fund are not sent a T3 Supplementary because the distribution is non-taxable for RRSPs, registered plans, and RRIFs.

Fund Expenses

The 2005 to 2010 Management Expense Ratios (MER's) for the funds were as follows:

	2010	2009	2008	2007	2006	2005
HughesLittle Value Fund	1.29%	1.33%	1.28%	1.30%	1.61%	2.04%
HughesLittle Balanced Fund	1.40%	1.41%	1.36%	1.36%	1.40%	1.70%

The MER reflects all expenses charged to the Fund throughout the year. These expenses include: investment management fees, audit, trustee, custodian, administration, and HST since July 1st. Details of these expenses are disclosed in the Fund's year-end financial statements.

The MER is expressed as a percentage of the average assets within each Fund over the entire year. The performance results we report to you are after deducting these Fund expenses. We expect the MER's to decline as the Fund's assets grow.

Financial Statements

The Funds' auditors, Berris Mangan Chartered Accountants, will send audited Financial Statements for each Fund separately to all clients no later than March 31st, 2011. The audited financial statements include a complete list of each Fund's portfolio investments as of December 31st, 2010.

2011

One of our clients, a 40 year veteran of investing, sent us a few predictions for the coming year. We agree with them, so we'll pass them along to you:

1. Conventional wisdom will be wrong again this year.
2. Expect the unexpected *(both positive and negative).*
3. Uncertainty will persist.
4. Share prices will be volatile.
5. Never make predictions, especially about the future.

We expect the vast majority of our portfolio companies will continue to generate good corporate results and good gains in intrinsic value. We'll remain focused on ensuring our companies' drivers of intrinsic value remain healthy. Gains in intrinsic value will eventually be reflected in more substantial gains in market value.

We fully realize and appreciate that you have entrusted us with your financial assets. We continue to do our best to take proper care in the work we do for you. With our money invested along with yours, we are working hard to achieve much improved results.

If you have any questions or comments we welcome your calls or visits.

Regards;

Joe Little Mark Hughes
1-11-11