SECOND QUARTER REPORT
June 30th, 2011

Performance

To June 30th, 2011 the performance of the **HughesLittle Value Fund** and the **HughesLittle Balanced Fund** was as follows:

	Value Fund *(non-RSP)*	**Balanced Fund** (*RSP*)
Unit Price – June 30th, 2011	$ 12.39	$ 10.19
Unit Price – December 31st, 2010	$ 11.12	$ 9.21
Distributions Paid Per Unit Since Inception	$ 1.26	$ 3.50
Six Months	11.4 %	10.6 %
Annualized Return Since Inception	5.6 %	6.5 %
Annualized Return S&P/TSX	7.9 %	6.7 %
Annualized Return S&P 500 CDN$	- 0.2 %	- 0.1 %

Annual Returns as of June 30th, 2011:

	2011	**2010**	**2009**	**2008**	**2007**
Value Fund	34.0 %	5.4 %	-18.2 %	-7.2 %	18.1 %
Balanced Fund	31.4 %	4.5 %	-13.9 %	-4.6 %	19.5 %
S&P/TSX Index	18.4 %	12.9 %	-25.7 %	6.7 %	22.7 %
S&P 500 CDN$	20.9 %	4.4 %	-15.9 %	-16.8 %	15.1 %

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 $10.00
Performance results are net of investment management fees and Fund expenses.
Index returns correspond to Fund inception dates. S&P 500 Index return is converted to Cdn$.

HughesLittle is six years old. We have however, been investment managers since 1992. For many years self-analysis has been a part of self-improvement. In our case it means looking back and asking whether 'actual results' have matched 'expected results?'

Below we attempt to answer that question in a self-assessment of five parts of our business:

Client Results

Since its inception on June 30th, 2005, the Value Fund has generated a compound annual return of almost six percent. This result is below both our expected return of 10 percent and the 12 percent annual return experienced by those clients who have stayed with us over the past 19 years.[1]

For sure, a six percent return is nothing to get excited about. Six percent per year *over these past six years* however, is hardly a disaster. The past six years has included the most severe financial market and economic conditions any of us will likely ever experience. Many Funds, investors, and most equity indices have not fared as well as we have.[2]

An analysis of our investment operations over the past six years shows we have not committed any large mistakes, but there have been smaller ones. A percent here and a percent there, adds up. More specifically, we have a flat return on a couple of large holdings we over paid for three years ago. We've also realized a few losses. And we trimmed some of the shares we owned of a few holdings where we under-estimated the quality of the underlying businesses.

Impacting our six-year returns more than anything else however, are the current *excessively low* market prices of many of our largest holdings. Meaning, the share prices of most of our companies do not currently reflect the underlying value of these businesses.

To be clear, it is not unusual for share prices to be at a discount to intrinsic values. The current price-to-value gaps are one of degree. Although the gaps are narrower than a year ago, they are still abnormally wide for many companies. The excessive price-to-value discounts likely still reflect the severity of the 2008-2009 bear market, continuing difficult economic conditions, and unusually low levels of investor risk tolerance. In time, share prices will rise and more 'normal' price-to-value discounts will prevail.

[1] Our 19 year record is unaudited. It is based on our records of client results and was achieved while working at three different firms with the involvement of other people.

[2] The HughesLittle Balanced Fund is ranked in the top few funds in performance for six months, one year, two years and four years in the API Pooled Fund Performance Survey for Canadian Balanced Funds.

There is one aspect of our 'actual' results that has matched our 'expected' results – we have managed to keep the annual taxable distributions generated from the Value Fund low. For the six calendar years to the end of 2010 the Value Fund has distributed a total of $1.26 per unit in income and capital gains. Annual distributions have ranged from $0.02 per unit to $0.74 per unit for an average of $0.21 per unit per year.

Anybody invested in a pooled or mutual fund must pay taxes on that fund's distributions annually. So the lower the distributions, the lower your annual taxes on the fund in which you are invested. Minimizing these yearly taxable distributions, particularly the capital gains portion, is an important part of our efforts to maximize your 'after-tax' returns on your HughesLittle Value Fund holding. We do this by minimizing trading. Less trading minimizes realized capital gains. Lower realized capital gains lowers the Value Fund's yearly taxable distribution. A lower distribution means we all pay fewer taxes on a yearly basis than we otherwise would if we traded more.

Although we have only seen spotty 'distribution' statistics for funds in general, we estimate the average 'taxable distribution yield per unit' for all Canadian equity pooled and mutual funds to be at least three times higher than that of the Value Fund.

Client Service

We are fully aware that the most important 'service' we are expected to deliver are investment returns. If returns aren't acceptable, no amount of client 'hand holding' with make up for it. Having said that, in addition to our investment management functions there are numerous other facets to managing your money that we should be measured on; such as honest reporting, timely and accurate statements, and dealing with individual requests.

Based on client feedback, it seems we are giving you relevant information in an easy-to-read format. As for processed transactions and statement accuracy, we have been over 99 percent accurate. We'll keep tweaking things as needed.

We should also note that it has never been our intention to offer too many 'client services.' We do not want to dilute our investment management efforts by offering services such as tax and estate planning for instance. Nor will we start offering mutual funds or small account segregated management services in order to build our assets under management. We want to keep things simple and do a good job with what we have.

Portfolio Company Results

Arguably, company results should be at the top of this list. If our portfolio companies are not performing well, nor will their share prices or our unit values. Fortunately, this is not the case. Our portfolio companies' underlying operating results have and continue to be excellent.

No question, there's been exceptions over the past few years. But the vast majority of our companies have performed very well despite extremely stressful economic conditions and unusually volatile financial markets. Good company results are one reason our six-year number is six percent and not zero. And as for future results, we expect our companies to perform even better as general conditions improve. We have good reason to be sanguine about getting back to our longer-term return averages.

Regulatory Reviews

All investment management firms are subject to regular regulatory reviews. HughesLittle has had two reviews by the B.C. Securities Commission. After both reviews, they requested we make minor revisions to some of our disclosures.

HughesLittle Investment Management Ltd.

HughesLittle Investment Management Ltd. (HLIM) is the company through which we manage the Funds and several segregated accounts. HLIM is entirely employee owned and we plan to stay that way. The three of us (Mark Hughes, Joe Little and Barb Rogers) manage approximately $80 million in assets and we have the capacity to manage more prior to adding more people.

Our business approach is the same as the day we started: take proper care of our assets and clients and the business will take care of itself. We keep the business simple, keep costs low, and we will only hire a few good people.

Portfolio Review

During the second quarter the Funds added money to existing holdings in agriculture and oil and gas. The Value Fund also eliminated one small holding in consumer products.

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

As of June 30th, the Value Fund is 92 percent invested in 16 companies. The Fund owns seven Canadian companies, four U.S. companies, and five holdings based outside of North America. The Value Fund's top five positions make-up 52 percent of the Fund's assets.

The Balanced Fund is 83 percent invested in the common shares of six Canadian companies, four U.S. companies, and five companies based outside of North America. The Balanced Fund's top five positions make-up 40 percent of the Fund's assets.

Miscellaneous

Enclosed with this report for clients are:

1. The 2011 Mid-Year Investment Review
2. Your Client Statement.

Kind Regards,

Joe Little Mark Hughes

July 8th, 2011