FIRST QUARTER REPORT
March 31st, 2013

Performance

To March 31st, 2013 the performance of the **HughesLittle Value Fund** and the **HughesLittle Balanced Fund** was as follows:

	Value Fund *(non-RSP)*	**Balanced Fund** (*RSP*)
Unit Price – March 31st, 2013	**$16.21**	**$12.42**
Unit Price – December 31st, 2012	$14.76	$11.45
Distributions Paid Per Unit Since Inception	$ 1.34	$ 3.93
Three Months	**9.8 %**	**8.5 %**
Annualized Return Since Inception	**8.1 %**	**8.3 %**
Annualized Return S&P/TSX	6.2 %	5.3 %
Annualized Return S&P 500 CDN$	3.3 %	3.4 %
Annualized Return 50/50 Benchmark	4.8 %	4.4 %

Notes:

- HughesLittle performance results are in Canadian dollars and are after all fees and expenses.
- HughesLittle Value Fund commenced operations June 30, 2005
- HughesLittle Balanced Fund commenced operations August 31, 2005
- S&P/TSX and S&P 500 are total return in Canadian dollars.
- Benchmark is 50% S&P TSX total return and 50% S&P 500 total return in Canadian dollars.
- Past performance is not a guarantee of future performance.
- Additional performance information is attached on the “Performance Summary.”

The primary drivers of Funds’ returns continue to be:

1. The operating performances of our portfolio companies have over the past several years – and again in 2012 – ranged from decent to exceptional.
2. The prospects for long-term gains in the intrinsic values of our holdings look promising.
3. Share price to intrinsic value discounts have narrowed.

We'll discuss each of these three points.

Operating Performance

The operating performances of most of our holdings over the past several years have exceeded our expectations. Our companies have shown exceptional strength through challenging economic and financial conditions. Our largest holding for instance has over the past five years generated annual revenue and profit growth of 14 and 25 percent, paid out $2 billion in dividends, and repurchased $10 billion of their own shares.

In 2012 the performance of most of our holdings was again decent. Twelve of our seventeen portfolio companies increased their operating earnings by 10 percent or more.

We cannot overstate this point: strong operating results of our holdings is, has, and will always be the main driver of the Funds' long-term performance. Simply put…if our portfolio companies do well, so will the Funds.

Prospects

The prospects for long-term gains in the intrinsic values of our holdings look promising. In the years ahead one critical driver of our companies' operating results and intrinsic values will be rising world-wide consumer purchasing power. Over the next 10 to 15 years one billion people are set to become 'middle class' in their living standards. These people reside in 15 countries at various stages of development. Included are the BRIC countries (Brazil, Russia, India, and China) and the next eleven countries, a few of which are Mexico, Turkey, Indonesia and Nigeria. Collectively these countries are home to about five billion people…or rather, five billion consumers.

Gradually rising living standards throughout the developing world will create a very long 'runway' of high growth rates in the demand for consumer goods and services. Furthermore, consumer tastes for many products and services are becoming more homogeneous; favouring fewer global brands. As a result, globally oriented consumer companies that own these brands have the potential to grow their revenues and profits at attractive rates for many decades. Shareholders of these companies should be well rewarded.

Rising consumer purchasing power has also proven to be very stable through even the harshest economic and political conditions. Consumption of soda pop is an excellent example of a product with both high and stable growth rates. For instance, we recently listened to a presentation by the C.E.O. of the Coca-Cola bottler for Iraq – not a model country of economic and political stability.

Notwithstanding Iraq's war-torn economy and political strife, most Iraqi citizens want what we all want – a better life. Part of improving the lives of people in developing countries is access to consumer products and services that bring people status, quality, safety, convenience, and the occasional tasty treat.

Remarkably, Coca-Cola's soda pop business in Iraq is booming – its five-year revenue growth rate was 35 percent per year. Behind the horrific scenes of life in Iraq as we see it on TV, the demand for Coca-Cola continues unabated. This combination of growth and stability exemplifies the sort of business we like to own.

Price-To-Value

The third driver of our unit values, particularly over the past couple of years, has been a narrowing of the discount common share prices are relative to company intrinsic values. A company's 'intrinsic value' is an estimate of a company's 'fair value.' We calculate intrinsic value using our best guess of the future cash earnings the company will produce for its share owners over its remaining life. We use assumptions that relate to corporate operating results many years into the future; we try to be conservative as these assumptions are susceptible to error.

We try to invest in companies with share prices below, or at a 'discount,' to intrinsic value.

In March of 2009 many common stock indices hit their lowest point since 1997. Business risk during the 2009 recession – the risk of a business faltering or failing – was perceived to be at its <u>highest</u>. Investment risk – the risk of an investor earning a poor return on an investment – was at its <u>lowest</u>. Share prices at that point represented some of the steepest discounts to intrinsic values we've ever seen and have not seen since.

Today, as general economic conditions stabilize business risk is lower. Investment risk on the other hand, due to rising share prices, is higher. We are still finding that many common stock prices are still at a discount to intrinsic value…just not as much of a discount.

The implications of narrower share price to intrinsic value discounts are important in setting return expectations. Fund unit prices since March 2009 – when price-to-value discounts were the widest – have since doubled, or returned approximately 20 percent per year. If you were to ask us whether the Funds' returns will keep-up this pace over the next four years? Our answer is: no, likely lower.

Four years ago we were buying shares at 50 to 60 percent discounts to the company intrinsic values. Currently the discounts are mostly in the 20 to 40 percent range. All else being equal, and it never is, our returns should moderate from the returns over the past four years.

So what do we expect future returns to be? With price-to-value discounts narrower, share price performance should more closely match the operating results of our companies, or their gains in intrinsic values. In this respect, the past several years should be a good indicator of what we should expect over the next several years: a growth rate in our companies' intrinsic values between eight and ten percent per year.

Portfolio Review

During the first quarter we doubled the size of one consumer product's company, purchased additional shares of one of our few financial services companies, trimmed a few shares of one of our largest positions, and sold two positions entirely (realizing modest profits on both).

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

As of March 31st, the Value Fund was 85 percent invested in 17 companies. The Fund owns eight Canadian companies, six U.S. based companies, and three holdings based outside of North America. The Value Fund's top five positions make-up 41 percent of the Fund's assets.

The Balanced Fund is 78 percent invested in the common shares of seven Canadian companies, six U.S. companies, and four companies based outside of North America. The Balanced Fund's top five positions make-up 34 percent of the Fund's assets.

Miscellaneous

As of April 2nd, our office address is:

HughesLittle Investment Management Ltd.
Suite 690, 688 West Hastings Street
Mail Box 19
Vancouver, B.C. V6B 1P1

If you are visiting, we are in the same building, one floor up. No change to our email addresses, telephone/fax numbers, or website.

Enclosed with this report for clients are:

1. The First Quarter 2013 Investment Review
2. Your client Statement.

Kind Regards,

Joe Little Mark Hughes

April 10th, 2013