FIRST QUARTER REPORT
March 31st, 2014

Performance

To March 31st, 2014 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, 2014	**$19.11**	**$14.01**
Unit Price – December 31st, 2013	$18.91	$13.91
Distributions Paid Per Unit Since Inception	$ 1.54	$ 4.42
Three Months	**1.1 %**	**0.7 %**
Annualized Return Since Inception	**9.3 %**	**9.2 %**
Annualized Return S&P/TSX	7.3 %	6.4 %
Annualized Return S&P 500 CDN$	6.3 %	6.5 %
Annualized Return 50/50 Benchmark	6.8 %	6.5 %

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."

Gyrating share prices in the first quarter gave us an opportunity to add two new holdings and invest more money into three existing holdings. The capital for these investments came from eliminating two holdings and the Funds' cash reserves.

Guardian Capital Group (Value Fund only) and Potash Corp. (both Funds) were sold. Guardian is a Canadian based institutional investment management firm with a large investment in Bank of Montreal (BMO) shares. Potash Corp. is one of the world's largest producers of the main fertilizer ingredients (potash, nitrogen, and phosphate).

We invested in Guardian because its market value equaled its BMO investment and assigned zero value to the investment management business. We sold after Guardian's share price advanced by about 60 percent and more accurately reflected a fair value for the entire company.

Potash Corp., although a major player in an industry that has very real barriers to entry, sells 'commodity' products with little or no pricing power. For example, one of their main competitors recently decided to increase its potash production and sell at a much lower price. This 'competitive' decision caused an immediate 25 percent reduction in the world price for potash and exposed the inherent weaknesses in the industry.

Guardian and Potash Corp. are not awful businesses, both have strengths and weaknesses. We may invest in them again…at the right price. We think however, the proceeds from these sales have been re-allocated into companies with better fundamentals and better long-term risk/return prospects. We discuss both in the attached Investment Review.

We try our best to only invest in industries with minimal vulnerability to destructive competitive behavior. We cannot over-state the importance of investing in businesses that operate in - or preferably control - industries with benign, slowly changing competitive conditions. <u>Competition is a company killer</u>. German mathematician Carl Gustav Jacob Jacobi achieved some degree of fame in the 1800's for his approach to solving complex problems: *invert, always invert*.[1] For us this means achieving success by studying failure; destructive competitive forces are almost always at the root of the cause.

All commodity businesses are vulnerable to destructive price wars. We thought the cartel-like potash industry was an exception and we were wrong. Technology companies in addition, are also vulnerable to fast-moving *disruptive technologies*; which is really just another phrase for competitive forces for which there are often no barriers to stop. We have very little capital invested in commodity and high-technology oriented businesses.

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[1] Readers may question just how 'famous' Jacobi really was? It's hard to imagine Jacobi attained the sort of popular fame of say Mr. 'T.'   Nor did his scientific accomplishments come close to Newton or Einstein. Jacobi was appointed in 1836 to the Royal Swedish Academy of Sciences mainly for his theories in elliptical functions.

No business can avoid destructive competitive forces entirely. So we think about it (and write about it) a lot. Avoiding obviously, intense competitive industries is one reason we own so few companies; very few pass this test. We'll close this thrifty discussion with another quote from Jacob Jacobi that nicely encapsulates our thinking,

"All I want to know is where I'm going to die, so I will never go there.[2]"

Portfolio Review

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 98 percent invested in 18 companies. The Fund owns six Canadian companies, eight U.S. based companies, and four holdings based outside of North America. The Value Fund's top 10 positions make-up 74 percent of the Fund's assets.

The Balanced Fund is 90 percent invested in the common shares of six Canadian companies, eight U.S. companies, and five companies based outside of North America. The Balanced Fund's top 10 positions make-up 64 percent of the Fund's assets.

Miscellaneous

Enclosed with this report for clients are:

1. The First Quarter 2014 Investment Review
2. Your client Statement.

Kind Regards,

Joe Little Mark Hughes

April 11th, 2014

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[2] Ironically, in 1843 Jacobi almost died from a breakdown due to overwork. Location may or may not have ultimately factored into Jacobi's death. He died in his home town at the age of 46 in 1851…from smallpox.