SECOND QUARTER REPORT
June 30th, 2016

Performance

To June 30th, 2016 the performance of the **HughesLittle Value Fund** and the **HughesLittle Balanced Fund** was as follows:

	Value Fund	**Balanced Fund** (*Registered*)
Unit Price – June 30th, 2016	**$ 23.62**	**$ 15.27**
Unit Price – December 31st, 2015	$ 24.59	$ 15.82
Distributions Paid Per Unit Since Inception	$ 2.31	$ 6.30
Six Months	**- 3.9 %**	**- 3.5 %**
Annualized Return Since Inception	**9.7 %**	**9.4 %**

See attached Performance Summary for additional performance results.

"Micro-economics is what we do. Macro-economics is what we put up with.[1]" Recently, there have been plenty of macro-economic and political shocks to *put up with*. These shocks have captured headlines, fueled uncertainty, and battered most share prices, including some of ours.

Macro-economics relates to issues or events that impact entire economies, such as GDP growth and exchange rates. Social and political upheaval, from events like Britain getting bounced from the 2016 UEFA European Championship by Iceland or its recent bid for more independence, can also impact an entire economy. These are often complex issues whereby the cause and effect are less than clear. For our purposes as investors, some events create tailwinds, others headwinds. And there are always unintended consequences that take time to surface.

As for the recent developments in Britain, it is still early days, but it is our best guess that ultimately there will be slim-to-no lasting impact on our companies' results. The Funds' own mostly large, well-established consumer products and services companies. Most operate worldwide. Many are top three players in their markets. And, they sell products and services that cater to basic human needs and desires. None of this is likely to change.

[1] Charlie Munger, 2016 Berkshire Hathaway Annual Meeting.

In fact, we own these types of companies because economic and political shocks are a part of our world. Ideal economic conditions do not exist. Uncertainty is constant. Bad things happen. To make matters worse, we possess little ability to forecast the next storm.

What counts in our business though, is building arks, not predicting floods.

We have studied the history of hundreds of companies and lived-through the past 25-years first-hand. By far, the most powerful shocks to most businesses comes at the micro-level, rarely the macro-level.

Micro-level problems are company specific, the most damaging being competitive threats, bad management, and high debt. So far there is nothing in the recent headlines that is likely to inflict lasting damage on our companies at the micro-level. Certainly nothing that will cause a decline in our companies' underlying values equal to the recent declines in some of their share prices.

Let's assume however, that the British economy does turn decidedly negative as a result of the new Government's bid to redefine their relationship with the world. It is possible that in the short term, consumer spending in the UK will decline. If that happens, the impact on our companies will still be minimal. The Funds do own two consumer products companies based in the UK. Neither company however, does much business in the UK; one derives eight percent of their revenues from Britain, the other about two percent.

In fact, a good portion of the first company's sales are from their beer brand Guinness (the top selling stout in the UK). It seems, stay or go, joy or sorrow, beer sales during the last week of June were brisk, one of the year's best. England's loss to Iceland and the Irish and Wales soccer teams advancing contributed nicely as well.

It is also worth noting that during the last week of June the British pound depreciated against many foreign currencies. For our two UK based companies however, this move in exchange rates will, in the near term, actually boost their earnings.

As for our other companies, it is unlikely a more isolated Britain will be good for business, but it is not likely to have a crushing impact. First of all, for those of our companies that do business in the UK, these operations are minor. Still, business volumes in the UK may slow, and the depreciation of the pound will hurt reported results. But the factors that most impact long-term business value, should remain intact. Furthermore, softer economic conditions and a weaker currency often gives the strongest companies additional investment opportunities.

Notwithstanding our tempered view of the impact of recent events, many of our companies' share prices fell at the end of June (some down by over 10 percent). Clearly, short-term market sentiment was pessimistic. Fortunately we had some cash to invest at prices that offered attractive risk/reward prospects. We added to several existing holdings and invested in two new positions. By the end of June both Funds were fully invested.

Investing on days like June 24th, when many were predicting financial Armageddon, can be viewed as risky.[2] We do not share that view. In fact, the risks of not investing or not being invested, are higher. Some of the highest return days on the stock market immediately follow those down days.

You might be surprised to learn how critical those 'high return days' are to long-term returns. To demonstrate, the compound annual return of the S&P 500 Index between 1990 and 2005 was 11.5 percent. This period included almost 4,000 trading days. If an investor had been <u>out</u> of the market during just the 10 highest return days, the annual return falls to eight percent. If the 30 highest return days were missed, the annual returns fell to three percent. And amazingly, if you were out for the 50 highest returns days, your returns over the period would have been negative!

We have seen this time-and-again, stock market sentiment perceives risks related to macro-economic or political conditions, far greater than actual risks. In our view, that is where we are right now. Many of our companies' share prices, are overweighting the risks and underweighting the rewards for long-term business owners.

Book Recommendation

Shoe Dog: A Memoir by the Creator of Nike. By Phil Knight.

Portfolio Review

In 2016 we have eliminated three positions in both Funds. For two of these positions, we think less of their long-term fundamentals. The third, is a company we like, but the company's share price rose sufficiently above our estimates of intrinsic value. All three were small positions.

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 was 100 percent invested in the common shares of four Canadian companies, seven U.S. based companies, and five holdings based outside of North America. The Value Fund's top 10 positions make-up 83 percent of the Fund's assets.

The Balanced Fund is 80 percent invested in the common shares of four Canadian companies, six U.S. companies, and six companies based outside of North America. The Balanced Fund's top 10 positions make-up 65 percent of the Fund's assets.

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[2] June 24th was the first trading day after Britain's general population voted in favour of redefining its relationship with the European Union and David Cameron, Great Britain's Prime Minister resigned.

Miscellaneous

Enclosed with this report for clients are:

1. The 2016 Mid-Year Investment Review
2. Performance Summary
3. Your Client Statement

Kind Regards,

Joe Little Mark Hughes

July 11th, 2016