

## FIRST QUARTER REPORT

March 31<sup>st</sup>, 2019

*(Potential Clients)*

This report is intended for people interested in making an initial investment in either the **HughesLittle Value Fund** or the **HughesLittle Balanced Fund**. It contains up-to-date information we think you should understand when assessing making an investment with us. Reports from previous quarters can be found on our web site.

If you do not wish to receive these reports or have any questions, call us at 1 877 696 9799.

### Performance

To March 31<sup>st</sup>, 2019 the change in unit prices of the **HughesLittle Value Fund** and **HughesLittle Balanced Fund** were as follows:

	Value Fund <i>(non-RSP)</i>	Balanced Fund <i>(RSP)</i>
Unit Price - March 31 <sup>st</sup> , 2019	\$ 39.99	\$ 20.96
Unit Price - December 31 <sup>st</sup> , 2018	\$ 35.13	\$ 18.91
Distributions Paid Per Unit Since Inception	\$ 2.48	\$ 8.67
<b>Three Months</b>	<b>13.8 %</b>	<b>10.8 %</b>
<b>Annualized Return Since Inception<sup>1</sup></b>	<b>12.0 %</b>	<b>11.0 %</b>

*See attached Performance Summary for additional performance results.*

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<sup>1</sup> Inception dates: Value Fund June 30<sup>th</sup>, 2005. Balanced Fund August 31<sup>st</sup>, 2005.

## Commentary

The first quarter of 2019 marks ten-years since March 2009, the nadir of the financial crash of 2008/2009. Here are some numbers worth thinking about:<sup>2</sup>

	<b>10-Year Annualized Return</b>	<b>10-Year Total Return</b>	<b>End-Value of \$100 Invested</b>
Value Fund	18.6 %	451 %	\$551
Balanced Fund	15.7 %	330 %	\$430
S&P 500 (Cad\$)	16.1 %	345 %	\$445
MSCI World (Cad\$)	12.7 %	231 %	\$331

There are a few things about this chart that should not be ignored. First-of-all, the last ten years represents a period of unusually high common stock returns overall. There have only been a few ten-year periods over the past several decades with returns as high. All funds, including ours, have had a nice stiff wind at our backs for a long time. When assessing performance - that should not be ignored.

One other point worth making refers to the starting point, first-quarter 2009. For many people, 2009 was a terrible time. Businesses were flailing or failing, share and property prices were crashing, and unemployment was high and rising as the economy skidded into a recession. We recognize the difficulties present in 2008/2009, but let there be no doubt, this was a period of (maybe) once-in-a-lifetime, bargain share prices. We made some of our best investments ever during this period. Quite likely, we would not have the returns we do, if it weren't for the buying opportunities created during the 2008/2009 financial crash.

2008/2009 is one of many examples, albeit extreme, how share price volatility *helps us* far more than it *hurts us*. Other examples include the three-day flash crash in 2011, the first Brexit vote in June 2016 and the most recent period from October 2018 until now when the S&P 500 fell 20 percent then bounced back by 20 percent. All these volatile periods presented us with favourable buying opportunities followed by excellent returns. In this most recent dip, we invested in a few new companies and bought more shares of several existing holdings. As a

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<sup>2</sup> All return numbers are from March 31<sup>st</sup>, 2009 to March 31<sup>st</sup>, 2019. Fund returns are net of all fees and expenses. The returns for the S&P500 and MSCI World Indices also include an annual fee of 50bps - the approximate annual cost of investing in an index fund.

result, the Value Fund's unit price dipped 11 percent from October to December then rose 20 percent to the end of March.<sup>3</sup> It is so worth training your brain to welcome rather than dread falling share prices - that's where the money is.

## Portfolio Review

As of March 31<sup>st</sup>, the Value Fund was 97 percent invested in 13 operating companies. The Fund owns four Canadian companies, seven U.S. companies, and two holdings based in other countries. The Value Fund's top ten positions make-up 87 percent of the Fund's assets.

The Balanced Fund is 82 percent invested in the common shares of four Canadian companies, seven U.S. companies, and three companies based in other countries. The Balanced Fund's top ten positions make up 72 percent of the Fund's assets. At quarter-end the Balanced Fund had 18 percent of its assets in cash and investment grade bonds.

## Fund Expenses

The 2012 to 2018 Management Expense Ratio (MER) for each Fund was as follows:

	2018	2017	2016	2015	2014	2013	2012
HughesLittle Value Fund	1.15%	1.15%	1.16%	1.17%	1.18%	1.23%	1.28%
HughesLittle Balanced Fund	1.21%	1.23%	1.23%	1.24%	1.25%	1.33%	1.38%

The MER reflects all expenses charged to the Funds throughout the year. These expenses include: investment management fees, audit, trustee, custodian, administration, and GST/HST. The MER is a percentage of the average assets in the Funds over one year. Lower is better.

## Miscellaneous

If you are planning on making an investment in either HughesLittle Fund, call us and we will assist you with the application and transfer documents. Our toll-free number is: **1 877 696 9799**

Regards,

Joe Little

Mark Hughes

Shafaz Jivani

April 5<sup>th</sup>, 2019

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<sup>3</sup> The Balance Fund dropped 10 percent then rose 15 percent over the same period.