2005 Annual Report

December 31st, 2005

Investment Returns

To December 31st, 2005 the performance of the **HughesLittle Value Fund** and **HughesLittle Balanced Fund** was as follows:

	Value Fund *(Non-RSP)*	**Balanced Fund** *(RSP)*
Pre-Distribution Unit Price	$10.05	$9.96
2005 Distribution	$ 0.02	$0.03
Post-Distribution Unit Price	$10.03	$9.93
Return since Inception	+0.5 %	-0.4 %

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.
Individual unit holder results are enclosed with this letter.

Fund Details

	Value Fund *(Non-RSP)*	**Balanced Fund** *(RSP)*
By Asset Class		
Canadian Equities	14 %	13 %
Canadian Income Trusts	12 %	13 %
U.S. Equities	30 %	21 %
Canadian Fixed Income	44 %	53 %
By Industry		
Industrial Services	16 %	9 %
Energy Production	12 %	11 %
Consumer Products	10 %	10 %
Financial Services	4 %	5 %
Retailers	4 %	3 %
Computer Software	4 %	3 %
Other	6 %	6 %
Canadian Fixed Income	44 %	53 %

2005 Portfolio Review

The charts above shows both Funds are close to 50 percent invested in operating companies (common stocks or income trust units) and about 50 percent in fixed income securities. The difference in asset mix between the two Funds is the result of different start dates and cash flows into the Funds.

At year-end both Funds owned shares or units in the same 11 companies. We own eight common stock positions and three income trusts. The average annual income yield on the income trusts is currently 11 percent. You'll find a general discussion of our equity and income trust investments below in the section titled "2005 Investment Review."

The fixed income portion of the Funds is comprised of short-term Government Bonds and Treasury Bills and investment grade corporate commercial paper. The average term to maturity of our fixed income securities is less than one-year. The average yield is slightly above three percent.

An important feature of our investment style is our willingness to concentrate our investments in operating companies in a small number of positions. For instance, the largest five positions comprise 35 percent of the Value Fund's assets and 29 percent the Balanced Fund's assets. As our overall investment weightings in operating businesses goes up, it is likely the relative weighting of the largest positions will also rise.

Concentrating our portfolio company investments will influence our returns in ways you should be aware. If you are inclined to compare our returns to any of the major equity indices such as the S&P/TSX Composite you will find, particularly over short periods, marked differences. This is because the weightings of stocks/trusts in our portfolios are dramatically different from the weightings of stocks/trusts in that index.

Concentrated portfolios also exaggerate the extent to which our unit prices will move up and down month-to-month and year-to-year. It follows that if we invest the Funds in a small number of companies, big moves in those companies' share prices will result in big moves in our unit prices.

Most importantly, we believe a concentrated investment approach will generate better long-term returns than if we were more diversified. With our approach, we invest most of our money in those companies we believe will generate the highest returns. Why dilute the impact of our best ideas with additional companies that we presumably wouldn't like as much?

2005 Investment Review

In this section we'll discuss our investments generally and provide details on one of our common stock holdings. We'll detail at least four more holdings in the remaining 2006 reports. Because of our buy-and-hold style, our long-term results are largely determined by the results of our underlying companies. If our companies generate good results – so will we! So in discussing our progress we'll focus on the progress of the businesses we've invested in.

In assessing companies we own or may own, we use the concept of intrinsic value. A company's intrinsic value is an estimate of the company's value or worth. Properly calculating intrinsic value involves estimating the cash a company will generate over its life.

In practice, we use intrinsic value in two ways; (1) we compare a company's stock price to its intrinsic value to determine whether the stock is cheap or expensive – this helps us with our buys and sells; and (2) we track changes in a company's intrinsic value over time as a barometer of progress. Let's elaborate on these points.

Obviously, we have found the 'price-to-value' relationship of our 11 portfolio companies to be compelling enough to purchase. Meaning, the prices at which we have purchased all our companies, we believe, are well below what we think these businesses are worth. Having said that, we still think many or most publicly traded companies we look at are over-valued. We'll continue to balance opportunism with patience.

As for the 11 companies we own, they're making progress. Meaning, our companies have been and are likely to continue to experience satisfactory gains in intrinsic value. We gauge this progress by constantly monitoring changes in things like a company's earning power, capital investments, and competitive position. This part of our research – tracking a company's intrinsic value – is one of the most important things we do. Categorically, we know of no other more certain driver of a company's share price than changes in its underlying intrinsic value.

Ritchie Bros. Auctioneers Inc.

Ritchie Bros. is our largest holding with 16 percent of the Value Fund's assets and nine percent of the Balanced Fund's assets invested in the company. Ritchie Bros. is the world's largest auctioneer of industrial, transportation, and agricultural equipment. The company conducts unreserved public auctions from its 30 sites around the world. Ritchie Bros. makes money by collecting a fee for every piece of equipment sold through one of its auctions. In 2005 Ritchie Bros. sold through auction about $2 billion of equipment and collected about $200 million in fees.

Here are some important numbers relating to Ritchie Bros. and its industry:

Total Global Used Equipment Sales	$100 billion
Total Broker/Dealer Equipment Sales	$ 95 billion
Total Auction Equipment Sales	$ 5 billion
Ritchie Bros. Total Sales	$ 2 billion
Ritchie Bros. U.S. Sales	$ 1 billion
Ritchie Bros. Canadian Sales	$400 million

As you can see, Ritchie Bros. is selling $2 billion of the $100 billion in annual used equipment transactions. Equipment auctioneers as a group sell $5 billion and the remaining $95 billion are transactions conducted mainly through private sales between equipment owners and sales involving equipment brokers/dealers. However, the marketplace for used equipment is evolving as sellers and buyers are seeking access to the global marketplace for equipment. In doing so, a growing number of sellers and buyers of equipment are concluding their local broker/dealer channels are just that – local – and do not give them the best access to the global equipment marketplace.

Ritchie Bros. auctions on the other hand, offer a truly global marketplace with thousands of buyers and sellers from all over the world at each auction. Equipment sellers have ready access to bidders internationally as well as locally; thereby getting sellers the best possible prices for their assets. Similarly, equipment buyers have access to equipment world-wide, not just what's available in local markets.

The evolution of the used equipment market from regional to global favours Ritchie Bros. Even though the broker/dealer channel is still doing by far the most transactions, the industry is highly fragmented with thousands of small, individual broker/dealers. The same is true for all competing equipment auction companies. In fact, the second largest equipment auction company in the world, Alex Lyons & Sons, is only about ten percent of Ritchie Bros. size. And, they only operate in the North-East part of the United States.

Through Ritchie Bros. 110 offices, including 30 auction sites, in 25 countries, they are the only company we know that can properly handle the demands of international customers. We think this gives Ritchie Bros. near bullet-proof competitive advantages and it seems certain they will capture a lot more global equipment sales over the coming years.

Ritchie Bros. management has stated that most of the company's intrinsic value growth will likely come from their U.S. operations. Looking at the size of their U.S. sales ($1 billion) versus their Canadian sales ($400 million), this makes sense. Canada is Ritchie Bros. most mature market – they've operated here for more than 40 years. The U.S. is a newer but more importantly a much bigger market, 10 times the size in fact. So over time – and this may take a very long time - Ritchie Bros. U.S. sales could potentially be 10 times their Canadian sales. To accommodate this growth, the company plans to build 10 new auction sites in the U.S. over the next five years. A similar penetration of the U.S. market as Canada, could add over $3 billion to Ritchie Bros. U.S. sales - potentially boosting the company's overall sales by two and one-half times.

Miscellaneous

Management Expense Ratio

Expenses charged or accrued to the Funds for the period ended December 31, 2005 are as follows:

	Value Fund	Balanced Fund
Management Fees	$15,476	$30,363
Administration and Legal	0	0
Trustee	0	2,250
Custodian	6,628	5,134
Audit	7,500	7,500
Goods and Services Tax	2,047	3,167
	$31,294	$48,414

The financial statements for the Funds are prepared in accordance with the regulations specified by the Canadian Security Administrators (the regulators from each province). In particular, there are very specific rules for the calculation of management expense ratios. Expenses (the numerator in the equation) are annualized and assets under management (the denominator in the equation) are averaged. As a result of this methodology, you will see in the notes to the Funds' financial statements, what we think is a distorted management expense ratio calculation for 2005.

Our objective for the full year in 2006, is for the management expense ratio to be in the range of 1.3 percent to 1.5 percent.

Annual Distribution

The Funds distribute their net income and realized capital gains to unit holders annually. The Funds do this so the funds themselves do not pay tax.

This year's distributions are quite modest: 2 cents per unit for the Value Fund and 3 cents per unit for the Balanced Fund. Distributions have been automatically reinvested in additional units of the Funds for each unit holder.

Unit holders in the Value Fund will receive on or before February 28th, 2006 a T3 Supplementary. This form gives a breakdown of the types of income that made up the distribution and it is necessary for income tax purposes. Unit holders in the Balanced Fund will not be sent a T3 Supplementary because the distribution is non-taxable for RRSPs and RRIFs.

Decimal places

In our reports to you we report to 2 decimal places for dollar amounts and 4 decimal places for unit amounts. However, when we internally calculate the number of units you receive from the distribution we use 9 decimal places. This causes some small distortions due to rounding.

For example, if you take the dollar amount of your reported distribution and divide it by the December 31st unit price you will get a different number from the number of units you received – this difference is caused by the use of the extra decimal places.

For unit holders in the Balanced Fund, Canadian Western Trust uses five decimal places for the December 31st unit price and seven decimal places for the distribution reinvestment. As a result there will be a slight difference in the market value of the Canadian Western

Trust market value and the market value on the statements we send to you. The number of units you own and your book value will however, be the same.

This issue is not something you should be concerned about; it's just something we want to make you aware of.

Financial Statements

The Fund's auditors, BME + Partners Chartered Accountants, will send audited Financial Statements for each Fund separately to all clients no later than March 31st, 2006. The audited financial statements provide a complete list of each Fund's portfolio investments as of December 31st, 2005.

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We want wish all of you the very best in your various endeavours over the coming year. With our money along side yours, we will continue to work hard to achieve all our long-term goals. Please do not hesitate to contact either of us if you have any questions or comments.

Kind Regards,

Joe Little Mark Hughes

January 16th, 2006

Encl.