ANNUAL REPORT
December 31st, 2014

2014 Performance

To December 31st, 2014 the change in unit prices of the **HughesLittle Value Fund** and **HughesLittle Balanced Fund** were as follows:

	Value Fund *(non-RSP)*	Balanced Fund *(RSP)*
Post-Distribution Unit Price	$21.34	$13.83
2014 Distribution	$ 0.30	$ 1.74
Pre-Distribution Unit Price	$21.64	$15.57
Unit Price on December 31st, 2013	$18.91	$13.91
Total Distributions Since Inception	$ 1.84	$ 6.16
One Year Return	**14.4 %**	**11.9 %**
Annualized Return Since Inception[1]	**10.0 %**	**9.7 %**

See attached Performance Summary for additional performance results.

Over time a company's share price performance should be in-line with its operating performance. In other words, if the company performs well so will its share price. And in other words, a company's shares won't perform unless the company itself does.

This is as close to an investment truism as anything we know. It guides our decisions. It also explains our returns since inception, which are now about 10 percent per year. Simply put, the Funds' performance closely reflects the underlying performance of our portfolio companies. Over the past nine years most of our companies have, on average, grown their revenues and profits, and in turn their intrinsic values, at about a 10 percent annual rate.

[1] Inception dates: Value Fund June 30th, 2005. Balanced Fund August 31st, 2005

We view our companies' intrinsic values as the core or the foundation of the Funds. Recall, a company's intrinsic value is an estimate of its fair value. Intrinsic value estimates are based on business fundamentals; namely the future earnings a company will generate over its lifetime for its share owners. Nothing is more important to the Funds than making sure this foundation is as solid as possible.

In every year, past or future, this foundation is stress tested by economic, financial, and competitive shocks. Over the past nine years these have included, amongst others, the 2008/2009 recession and real estate bust, currency volatility, on-going regional wars, a steady flow of competing products and services, constant technological disruption, and the recent 50 percent decline in the price of oil. Consistently strong gains in intrinsic values through this period reflect our companies' solid fundamentals and good corporate managers.

The more time that passes and the nastier the shocks, the more evidence we have that our companies will endure. Success through changing operating conditions – not just benign conditions - tells us whether a company is truly durable or has just had a 'run of good luck.' Ultimately we are trying to verify that our companies are resilient. This in term gives us the confidence to extrapolate past results into an unknown future.

In contrast, assessing durability based on short-term results is fraught with danger. U.S. banks are a great, albeit obvious example of what can go wrong. The U.S. banking sector had a great run in the years leading up to 2007. It was a period of huge growth and seemingly minimal risks – then the sector utterly collapsed in 2008/2009. Risks weren't absent, just hidden. The banking sector today looks similar: a number of quiet years of uninterrupted profit and share price growth.

Performance numbers of the S&P U.S. Bank Index are telling. From 2003 to 2007 the market value of the U.S. banking sector increased by about 12 percent per year. Extrapolating those numbers forward turned out to be harebrained as many of the companies that made up the sector went bust and the S&P Bank Index fell by 60 percent over 2008 and 2009.

Similarly, the U.S. banking sector's profit growth and market gains have been robust over the four years to the end of 2014 - up almost 20 percent per year. Operating conditions over the past few years however have been eerily calm. A seemingly riskless environment. Are recent strong returns again deceiving investors?

Surely a better measurement period – one that reflects the full triumphs and tragedies of banking – must be longer. In fact the banking sector's nine year record (for easy comparisons with our nine-year record) does paint a more complete picture. The U.S. banking sectors' overall profits are still well below what they were in 2006 and the indexes nine-year market return has been *negative* six percent per year.

You would be wise to use this letter's central theme in setting your expectations of our future performance. The Funds compound returns over the past three to six years have been mostly sunshine and puppy dogs. We've earned regular annual gains in the mid-teens and a few years over 25 percent with only a few wobbles. In fact, since early 2009, account values have tripled. And clients who have joined us throughout this period have experienced compound returns in the 15 to 20 percent range. If you remember anything from this letter, remember this:

Our companies have shown steady, solid results, not bank-like,
and some of our companies' intrinsic values are growing in the 20 percent range,
however,
<u>we expect longer-term growth rates of our businesses</u>
<u>and the Funds' returns</u>
<u>to be closer to our inception returns.</u>

Relative Performance Measurement

On the attached Performance Summary sheet we compare our returns to an Index Benchmark. Previously this benchmark was comprised of 50 percent a Canadian index, the S&P/TSX, and 50 percent a U.S. index the S&P 500 (in cdn$). Starting with this report our Index Benchmark is now 100 percent the **MSCI ACWI**, calculated in Canadian dollars. The MSCI acronym stands for "Morgan Stanley Country Index" and ACWI stands for "All-Country World Index." Morgan Stanley, a U.S. banking firm, tracks and calculates the Index returns.

The MSCI ACWI is a market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indices include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indices include: Brazil, Chile, China, Colombia, Czech

Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey* and United Arab Emirates.

The market weightings of the top ten countries of the MSCI ACWI are as follows:

United States	51.43%	France	3.22%
Japan	7.21%	Germany	3.08%
U.K.	6.09%	Australia	2.66%
Switzerland	3.56%	China	2.57%
Canada	3.42%	Netherlands	1.59%

We have switched to measuring against the MSCI ACWI as it still reflects our U.S. company dominated portfolios and it more closely reflects the ‘global-ness’ of our non-U.S. holdings. The MSCI ACWI also better represents the worldwide investment opportunities available to us and investors generally. The MSCI ACWI is by no means a perfect index for us. For instance, it under-represents Latin American and Canadian markets, and over-represents Japan’s stock market.[2] The MSCI ACWI is however better than all others we’ve looked at and an improvement on what we were using.

Changing our Index benchmark in no way changes our main objective of generating for you double digit returns (after-fees) over the long-term. One reason we even report relative returns is so you can see whether we are adding value or not. Any investor can easily invest in the ishares MSCI ACWI ETF, an exchange traded fund that tracks the MSCI ACWI. This fund is managed by BlackRock Inc., the largest investment management firm in the world. This ishares ETF has a management expense ratio of 0.33 % making it an inexpensive way to invest in a globally diversified portfolio of common stocks.

An ETF such as the ishares MSCI ACWI ETF is a passively run index fund. There are pros and cons of investing in a passive index; maybe a subject in another letter. But in our view, if a higher fee, actively managed fund is not outperforming a low fee index fund over the long-term, then the actively managed fund is not adding value and its investors are needlessly paying high management fees.

We WILL NOT beat or even match our index benchmark every year nor are we trying to. Ironically however, we have beaten our Index Benchmark for one-year returns in seven of the

[2] Latin American markets make up about five percent of MSCI ACWI.

last nine years. The main reason our one-year return has and will differ from the benchmark is our holdings are dramatically different from the MSCI ACWI. For instance, 35 percent of the MSCI ACWI are financial and high-tech companies; of which we own very little. So when those sectors have a banner year, we may lag.

We ARE in business to beat the MSCI ACWI over the long term. We expect to outpace our benchmark by two to three percent (net of fees) when comparing long-term compound returns. The MSCI ACWI's 20 year return is seven percent and we expect its next 20 years to be similar. So far we have achieved a satisfactory margin over the benchmark for all multi-year periods including the past three, four, five, six, seven, and eight years as well as our nine year inception returns that have more than a three percent per-year advantage.[3]

We are out-pacing our competition as well, short and long term. We have received top honours for one-year returns in five of the last nine years including 2006, 2011, 2012, 2013, and 2014. And again, we are top performers for our four-year return in the 2014 API Performance Survey.[4]

Portfolio Review

During the fourth quarter the Value Fund invested in two new companies and added money to two existing common stock holdings. The Fund made no sales.

During the fourth quarter the Balanced Fund invested in two new companies, added money to two existing common stock holdings. The Balanced Fund sold two positions. The Balanced Fund also invested in several investment grade, short-term corporate bonds.

We include a full list of the quarter's buy and sell activity in the attached Investment Review. As of December 31st, the Value Fund was 99 percent invested in 19 operating companies. The Fund owns five Canadian companies, ten U.S. companies, and four holdings based outside of North America. The Value Fund's top ten positions make-up 75 percent of the Fund's assets.

The Balanced Fund is 83 percent invested in the common shares of five Canadian companies, nine U.S. companies, and four companies based outside of North America. The Balanced

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[3] Only the Value Fund has outpaced the MSCI ACWI over the most recent three years. The Balanced Fund has lagged due to its bond component, which has handicapped the Fund's recent performance.
[4] The API Survey measures the HL Balanced Fund against 83 Canadian Balanced Pooled Funds.

Fund's top ten positions make up 64 percent of the Fund's assets. At year-end the Balanced Fund had 17 percent of its assets in cash and investment grade bonds.

2014 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.

Distributions for 2014 are $0.30 per unit for the Value Fund and $1.74 per unit for the Balanced Fund. The Value Fund's distribution is $0.17 of taxable capital gains per unit and the remainder is dividend income. Distributions are automatically reinvested in additional units of the Funds for each unit holder (unless we were instructed otherwise for Value Fund unit holders only).

In a separate mail-out, unit holders of both Funds will receive a confirmation of your distribution. We will also send Value Fund unit holders a T3 Supplementary over the next few weeks. Both the Value Fund confirmation and the T3 Supplementary give a breakdown of the types of income that made up the distribution. The T3 Supplementary form is necessary for income tax purposes.

Unit holders in the Balanced Fund are not sent a T3 Supplementary because the distribution is non-taxable for RSPs and RIFs.

Fund Expenses

The 2008 to 2014 Management Expense Ratios (MER's) for the Funds were as follows:

	2014	2013	2012	2011	2010	2009	2008
HughesLittle Value Fund	1.18%	1.23%	1.28%	1.29%	1.29%	1.33%	1.28%
HughesLittle Balanced Fund	1.25%	1.33%	1.38%	1.42%	1.40%	1.41%	1.36%

The MER reflects all expenses charged to the Fund throughout the year. These expenses include: investment management fees, audit, trustee, custodian, administration, and GST/HST. Details of these expenses are disclosed in the Funds' year-end financial statements.
The MER is expressed as a percentage of the average assets within each Fund over the entire year. The performance results we report to you are after deducting these Fund expenses.

Financial Statements

The Funds' auditors are KPMG. KPMG will send audited Financial Statements for each Fund separately to all clients no later than March 31st, 2015. The audited financial statements include a complete list of each Fund's portfolio investments as of December 31st, 2014.

RSP Contributions

You may now make your RSP contributions to the HughesLittle Balanced Fund via online personal banking. Simply add "Canadian Western Trust Contributions" as a bill payee and use your 8 digit CWT account number. Please let us know if you make an on-line transfer so we know to watch out for it.

If you need any assistance please send Barb an e-mail at barb@hugheslittle.com or call her at 1 877 696 9799.

Our final date for accepting 2014 RRSP contributions is February 27th, 2015.

Cheques payable reminder:	The Value Fund	**"RBC Investor Services"**
	The Balanced Fund	**"Canadian Western Trust"**

2015

We've spent as much time this year as we did last year formulating a macro-forecast: economies, currencies, and stock markets will be bumpy. With that out of the way, we will continue to focus almost entirely on fundamental, company-specific research. In practice, this means ensuring our companies' drivers of intrinsic value – namely revenues, profits and capital returns - remain healthy and capable of generating acceptable returns. Company results over the past several years and again in 2014 have shown that *intrinsic value growth* met or exceeded our objectives; we expect 2015 to be similar.

In this letter we discussed the cause and effect connection between underlying business performance and share price. Another part of our analysis is properly assessing *investment risk* and how it may impact our *returns*. This involves comparing the market price of our companies versus what we think they are worth – or a company's intrinsic value. We call this the price-to-

value discount. All else being equal, the bigger the discount of price-to-value, the lower the risk of loss and the higher the potential return.

Overall, we estimate there are wider price-to-value discounts in the Funds today than existed one year ago. Our returns, particularly over the past few years, have been primarily driven by our larger North American positions. These companies have done well and so have their share prices. As a result of these impressive gains in intrinsic value, price-to-value gaps of some of our best performing, and largest positions, are still attractive.

The widest price-to-value discounts however are currently found in our foreign holdings. These holdings are all large consumer products companies based in Mexico, Switzerland, and the U.K. Price-to-value discounts have widened over the past few years as the companies themselves have outperformed their share prices. In response, we invested additional capital in our foreign holdings in 2014 and continue to do the same in early 2015.

Currently, we estimate none of our companies are over-priced or even fully-priced. A few companies are reasonably priced and several (including a few new positions) are under-priced. Overall, the combination of decent underlying growth and attractive price-to-value discounts, along with a few opportunities that will inevitably come our way, puts the Funds in a favourable risk/return position.

We fully realize and appreciate that you have entrusted us with your financial assets. We continue to do our best to take proper care in the work we do for you. With our money invested alongside yours, we are working hard to achieve good results.

If you have any questions or comments we welcome your calls or visits.

Regards;

Joe Little Mark Hughes

January 11th, 2015