First Quarter Report
March 31st, 2017

Performance

To March 31st, 2017 the performance of the **HughesLittle Value Fund** and the **HughesLittle Balanced Fund** was as follows:

	Value Fund	Balanced Fund (*Registered*)
Unit Price – March 31st, 2017	**$ 28.28**	**$ 17.45**
Unit Price – December 31st, 2016	$ 26.18	$ 16.32
Distributions Paid Per Unit Since Inception	$ 2.41	$ 6.77
Three Months	**8.0 %**	**6.9 %**
Annualized Return Since Inception	**10.8 %**	**10.3 %**

See attached Performance Summary for additional performance results.

For periods ranging from the past three to eight years the Funds have generated mid-teens annual percentage gains. There have been two primary drivers of these returns. First and foremost, we have been in a multi-year period of exceptional earnings growth by our largest positions.

For instance, here is the combined annual pre-tax profits (and expected profits) of the Funds' two largest positions during selected years:

2011	$9 billion
2013	$12 billion
2016	$16 billion
2017	$20 billion (estimated by us)
2019	$23 billion (estimated by us)

Lest you think we cherry picked two of our best performers (which we did) our next three largest positions have similar growth rates in past and expected earnings. Combined, our top five positions make-up 57 percent of the Value Fund and 42 percent of the Balanced Fund.

As for the Funds' other portfolio companies (12 others) their results are a mixed bag ranging from 'just as good' to more 'pedestrian-like' results.

The impact of strong earnings growth on share prices cannot be overstated. This is close to an investment truism:

If a company does well, so will its share price.

The other driver of our unit prices also relates to another investment truism:

Investment returns are impacted by valuations.

What we mean by 'valuations' is how much we are paying for a company's earnings when we invest in that company's shares. This can be expressed as a multiple of a company`s earnings.[1] Let's use our two largest holdings to illustrate.

Year	**Combined Pre-tax Earnings**	**Combined Market Value**	**Valuation Multiple**
2011	$9 billion	$81 billion	9x
2013	$12 billion	$170 billion	14x
2016	$16 billion	$275 billion	17x
2017e	$20 billion	$315 billion (current)	16x
2019e	*$23 billion*	*$315 billion (current)*	*14x*
2011-2017 Growth Rate:	**120 %**	**290 %**	

[1] A company`s market value and share price are essentially the same thing. 'Market Value' is a company`s share price multiplied by the company`s total shares outstanding or how much it would cost to buy 100 percent of a company.

As you can see from the chart, in 2011 the total combined market value of these two companies was $81 billion, nine-times their combined pre-tax income of $9 billion. Today, that multiple of market value to pre-tax income is 16 times.

There are two ways to look at this. Both have implications in explaining our past returns and what we should expect in future returns. Firstly, as share-owners of these two companies for the past several years, we have doubly benefitted from rising corporate earnings as well as a rising 'valuation multiple' of those earnings. In fact, these companies` recent growth rate in share prices (or market values, it`s the same) has been higher than their growth rate in earnings; 290 percent versus 120 percent, respectively.

The flip side of this enriching experience is we are now paying a higher price today for these two companies` current earnings relative to what we were paying several years ago. So even though our companies are making more money, we are getting less earnings today for every dollar we invest than we did in 2011. In investment parlance, this means the shares were 'better value' in 2011 than today.

The implication of the higher valuation multiple is simple: the future can`t be as good as the past. Which brings us to a third investment truism.[2] This one relates to future or expected returns:

earnings drive returns…the more you pay for those earnings,
the lower your expected returns.

Going forward, we expect earnings growth from all our companies. This will continue to drive share prices. What we don`t expect however, is for valuation multiples of some of our companies to go much higher, if at all.  <u>Share prices can`t continue to outpace earnings growth indefinitely.</u> As such, we expect future returns to be below our five-year returns, likely closer to our inception numbers.

To be fair, we do own a few companies with current share prices that reflect attractive valuation multiples – as good as they have been over the past few years. We estimate about one-third of our holdings are in the 'good-value' category. One of these positions is examined in the enclosed Investment Review.

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[2] It is fitting that the Oxford definition of 'truism' is: a statement that is obviously true and says nothing new or interesting.

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 96 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 82 percent of the Fund's assets.

The Balanced Fund is 77 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.

Performance Reporting

In addition to the 2016 Annual Report and Investment Review, we sent you a new report called the **Investment Performance Report**. This report is required by all Canadian Securities Regulators to be sent out once per year to all clients.

In the **Investment Performance Report** is a comparison of your 'Time-Weighted Return' versus your 'Money-Weighted Return.' Briefly, time-weighted return measures the performance of your account from your initial investment and gives no weight to the impact of subsequent cash flows. Money-weighted return on the other hand, factors in the size and timing of cash flows in and out of your account subsequent to your initial investment.[3]

In an attempt to be consistent with the **Investment Performance Report** we planned to switch to using money-weighted returns (instead of time-weighted returns) on the client statements we send you, starting with this quarter. After testing multiple scenarios using the money-weighted methodology we have decided to NOT make the switch – we will continue to only use time-weighted returns on our quarterly client statements.

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[3] For additional explanation see NOTES – INVESTMENT PERFORMANCE REPORT. This was sent to you along with the Investment Performance Report in January.

The reason for our quick reversal was caused by meaningless and misleading return numbers that can result over short periods when an account experiences large cash flows in or out. We suggest you call our office if you would like Mark's head-spinning explanation of the subtleties of performance calculations.[4]

In our attempt to use a performance calculation method that is most meaningful (and accurate) we have come to the conclusion that neither methodology is perfect in all situations. Both time-weighted and money weighted return calculations have flaws. Again, call Mark if you want to explore this. You will however continue to get your individual returns using both methods in the **Investment Performance Report** that is sent to all clients every January.

Miscellaneous

Enclosed with this report for clients are:

1. The First Quarter 2017 Investment Review
2. Performance Summary
3. Your Client Statement

Kind Regards,

Joe Little   Mark Hughes

April 11th, 2017

[4] Warning: follow this link for rare footage of the last client to call in to discuss performance methodology: https://www.youtube.com/watch?v=FdCy6MGOVfw.