

ANNUAL REPORT
December 31st, 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**. This report does NOT provide an overall explanation of the Funds nor a detailed description of our investment approach. That information can be found in other documents on our website.

This report is produced quarterly. 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.

2019 Performance

To December 31st, 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>
Post-Distribution Unit Price	\$43.36	\$19.69
2019 Distribution	\$ 0.73	\$ 2.68
Pre-Distribution Unit Price	\$44.09	\$22.37
Unit Price on December 31 st , 2018	\$35.13	\$18.91
Total Distributions Since Inception	\$ 3.21	\$11.35
One Year Return	25.5 %	18.3 %
Annualized Return Since Inception¹	12.1 %	10.9 %

See attached Performance Summary for additional performance results.

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

Commentary

Our gains last year were driven by a few factors: continued growth in revenues and profits by our portfolio companies; minimal trading; a nice overall lift provided by a 25 percent gain for the S&P 500, and some opportunistic purchases we made in late 2018 when stock prices swooned, and then rebounded in 2019.²

For 2019, our portfolio companies delivered another year of corporate results that ranged from decent to exceptional. On average, revenues and profits for our ten largest positions grew by 11 percent and 12 percent, respectively. And the range in profit gains is from 25 percent at the high end to three percent at the low end. These 2019 one year results were slightly below the five year average revenue growth of 14 percent and the five year average profit growth of 13 percent. In addition, many of our companies have recently made investments/acquisitions that we expect will drive further financial gains in the years to come.

We cannot overstate this point next point: The big money is in the hold, not buying and selling. This proved-out again last year as our biggest gains come from sitting-on the vast majority of our holdings.

Another contributor to our results relates to a metaphor occasionally used for the stock market: The tide raises and lowers all boats. When the overall market is way up, like in 2019, a rising market will often buoy the share prices of most companies, even for companies with leaky fundamentals that do not merit a price gain. Similarly, a falling market can drag down the share prices of most companies, even the most *seaworthy*. The S&P 500 Index swelled by 25 percent last year. As such, the market's buoyance effects are due some credit. A successful crossing in choppy waters would be more impressive.

These robust markets last year may have contributed to some sizeable gains we made on purchases in late 2018 when markets tumbled. For instance, in November 2018 we purchased additional shares in two existing holdings and one new holding, in meaningful amounts, all of which are up over 50 percent since that time. We point this out only as some evidence of the attractive share prices we saw at that time.

² S&P 500 returns are in Canadian Dollars.

Portfolio Review

As of December 31st, the Value Fund was 100 percent invested in 14 operating companies. The Fund owns four Canadian companies, eight 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 80 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 73 percent of the Fund's assets. At year-end the Balanced Fund had 20 percent of its assets in cash and investment grade bonds.

Fund Expenses

The 2013 to 2019 Management Expense Ratio (MER) for each Fund was as follows:

	2019	2018	2017	2016	2015	2014	2013
HughesLittle Value Fund	1.16 %	1.15%	1.15%	1.16%	1.17%	1.18%	1.23%
HughesLittle Balanced Fund	1.20 %	1.21%	1.23%	1.23%	1.25%	1.25%	1.33%

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. 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.

Miscellaneous

If you are planning on making an investment in either HughesLittle Fund, please call us and we will assist you with all the required application and/or transfer documents. The minimum initial investment for new accounts is \$500,000.

Our toll-free number is: **1 877 696 9799**

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