

MID-YEAR REPORT

June 30th, 2022

Performance

To June 30th, 2022 the change in unit prices of the **HughesLittle Value Fund** and the **HughesLittle Balanced Fund** were as follows:

	Value Fund <i>(non-RSP)</i>	Balanced Fund <i>(RSP)</i>
Unit Price - June 30 th , 2022	\$ 42.12	\$ 16.57
Unit Price - December 31 st , 2021	\$ 56.49	\$ 21.36
Distributions Paid Per Unit Since Inception	\$ 5.96	\$ 15.72
Six Months	- 25.4 %	- 22.4 %
Annualized Return Since Inception¹	10.4 %	9.3 %

See attached Performance Summary for additional performance results.

Mid-Year Commentary

In our experience, it's impossible to know how any share price will behave through a period of market turmoil. Obviously, most prices drop, but how low a share price will go and why, for instance, is often completely inexplicable. In uncertain times, share prices can become driven by myopic, short-term sentiment rather than company-specific fundamentals. Although unsettling, the disconnect between share prices and fundamentals is often brief and independent of the long-term results of any of our investments. This is why we make decisions based on company-specific fundamentals, detached from share price fluctuations.

For example, consider two other unique periods of economic instability that caused heightened investor uncertainty, and substantial stock market declines: the global financial crisis in 2008/2009 and the onset of Covid-19 in early 2020. With the benefits of experience and hindsight, we can see tendencies from those periods that also apply now.

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

During both of those unstable periods, our two largest consumer services companies experienced notable share price declines of 50 percent in 2008/09 and 40 percent in 2020, yet both saw their profits actually double from 2007-2009 and grow modestly from 2019 - 2021. Similarly, the share price of our largest financial services company cratered 70 percent in 2008/09 and 40 percent in 2020, yet only had modest profit declines from 2007 - 2009, and then grew in 2020 and 2021. We observe that even though a business's share price and its results become unhinged in the short term, they are undeniably linked over the long term.

Long-term share price returns depend on the long-term financial results of the companies themselves. Ultimately, if the business performs well so will the shares. The three companies above are perfect examples from a long list. All three experienced substantial share price declines in 2008/09 and 2020, as well as several double-digit percentage dips in the years between. The annual return for shareholders however, who have held steady since 2007, has been mid-high teens percentage returns. *This is exactly the same as the annual profit growth of the companies over that time.* For brief periods, the share price reflected short-term turbulence whereas the companies' fundamentals were always a better indicator of long-term performance.

We are currently seeing a similar pattern. We think time will once again show that the recent drop in share prices does not reflect our companies' fundamentals. Our portfolio companies have long demonstrated extraordinary competitive strengths and as a result, are some of the world's most profitable - attributes that have proven to be the most important drivers of long-term returns. Put another way, we think the current drop in share prices has overshot the risks associated with current and predicted economic conditions, and substantially discounts the underlying value of our companies.

Company fundamentals matter. In fact, experience has shown us, nothing matters more. We are fully invested. We are adding to current positions and investing in two new companies at price-to-values not seen since 2008/09 and 2020. We expect to reap the benefits of our action and 'inaction' today in the years to come.

In the Investment Review later in this report, we give an update on several of our companies, which includes current financial results and some details on what our companies are doing to strengthen their fundamentals and boost long-term, share owner performance. It is a good reminder of what you own and worth reading.

Mid-Year Portfolio Review

As of June 30th, the Value Fund was 99 percent invested in 15 operating companies. The Fund owns four Canadian companies, eight U.S. companies and three companies based in other countries. The Value Fund's top ten positions make up 80 percent of the Fund's assets.

The Balanced Fund is 82 percent invested in the common shares of four Canadian companies, eight U.S. companies and three companies based in other countries. The Balanced Fund's top 10 positions make up 68 percent of the Fund's assets. As of June 30th, the Balanced Fund had 18 percent of its assets in cash and investment-grade bonds.

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

Regards,

Joe Little

Mark Hughes

Shafaz Jivani

Kevin Greig

July 7th, 2022