How is Steadyhand Doing?

A Performance Assessment
December 31, 2013

Over the six years that the company has been managing money for Canadian individuals, Steadyhand's balanced portfolios have achieved after-fee returns well in excess of the markets. Clients have benefited from excellent security selection throughout the fund lineup and an overall bias towards corporate bonds and foreign stocks.

This report is a full performance assessment of the **Steadyhand Balanced Income Portfolio**, which has a 50% fixed income / 50% equity mix.

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Executive Summary

- Equity returns were very strong in 2013, driven by the U.S., Japanese and European markets. Canada lagged behind, but was still up 13%. For the first time in 14 years, the Canadian bond market had a negative return (-1.2%).
- Steadyhand balanced portfolios achieved returns in excess of the markets in 2013 and since the inception of the firm, benefiting from excellent security selection throughout the fund lineup and an overall bias towards corporate bonds and foreign stocks.
- The **Income, Equity** and **Small-Cap Equity Funds** had good years and built on their strong long-term records. The **Global Equity Fund**, which lagged in previous years, had a strong recovery and was Steadyhand's top performing fund in 2013.
- The performance of the **Founders Fund** is driven by the results of the underlying funds, but it also benefited from a strategy of holding more foreign stocks than Canadian.
- The Steadyhand client statement has been enhanced since last year's report and is attached to this report.
- For clients following the Balanced Income Portfolio, it is likely a time when some re-balancing is required. In 2013, stocks were up a lot and bonds were slightly down.

Introduction & Numbers

This review of Steadyhand's investment returns follows the approach laid out in our report entitled, *How Is Your Portfolio Doing - A Framework for Assessing Investment Performance*. If you don't have a copy, it's available at steadyhand.com.

As in previous years, we have chosen to analyze the Steadyhand Balanced Income Portfolio [hereafter referred to as 'Balanced Income' or 'Portfolio'] because it encompasses all of our long-term funds, is a good representation of the firm's overall asset base and is the model portfolio used by a large number of clients.

The Balanced Income is a hypothetical portfolio[1] made up of four Steadyhand funds:

Income Fund	66%
Equity Fund	14%
Global Equity Fund	13%
Small-Cap Equity Fund	7%

Its strategic asset mix (SAM) is as follows:

Bonds	50%
Canadian Equities	30%
Foreign Equities	20%

In doing this analysis, we've endeavoured to be as objective and transparent as possible.

Gathering the Data

To gather the facts for the portfolio, we went to the Client Statement, which is provided in the appendix. Jane and Jim Smith, our fictional investors, started at Steadyhand on December 31, 2007, with an investment of $50,000. After six years, their portfolio is worth $72,107.41 (which assumes fund distributions were re-invested). Their annualized returns are shown in the 'Consolidated Performance' section of the statement.

Consolidated Performance

Performance Period	Rate of Return (%)
Three Month	5.2
One Year	11.8
Two Year	11.0
Three Year	8.8
Five Year	11.2
Since Inception	6.3

Annualized compound rates of return on periods over one year. Consolidated performance is calculated using monthly weighted average rate of return for the accounts in the period.

Note: All Steadyhand returns in this report are after-fees. The fees used do not include rebates for portfolio size and client tenure.

Founders Fund

A large number of Steadyhand clients are invested in the Founders Fund, which is a balanced fund with an asset mix target of 60% stocks and 40% fixed income. It is our intention to use this fund as the basis for future assessments, but at this stage the fund has too short a track record to make the analysis meaningful (it was launched in February, 2012). We will, however, review how the Founders Fund has done later in this report.

[1]The Steadyhand Balanced Income Portfolio is a hypothetical portfolio of Steadyhand funds. The performance of the portfolio assumes that it is rebalanced on a quarterly basis to the target fund allocation (66% Steadyhand Income Fund, 14% Steadyhand Equity Fund, 13% Steadyhand Global Equity Fund, 7% Steadyhand Small-Cap Equity Fund).

Context

At the bottom of the page is a table of capital market returns for periods ending December 31, 2013. We will focus on 1 and 6-year returns throughout the report. One year is too short a period from which to draw conclusions, but gives holders a feel for how the funds are managed and what is driving returns. Six years is not a standard time period, but it's the longest we have for the Steadyhand funds and covers not only the 'up' part of the investment cycle (2009-2013), but also the 'down' (2008).

Returns from the bond market in 2013 were negative (-1.2%). Interest rates moved up in the spring, and as a result, bond prices fell (as a reminder, when bond yields go up, bond prices go down). Ten-year Government of Canada bonds (Canada's) started the year yielding 1.8% and finished at 2.8%. Of note, the bond market has only been in negative territory in 3 years since 1980 (1994, 1999 and 2013).

Corporate and provincial bonds, which carry a higher yield, performed better than Canada's, as did high yield bonds.

Over the last six years, the bond market has sported equity-like returns, as interest rate declines fueled capital gains. But the last two years reflect the new reality, which is that income from bonds is very low (yields) and the opportunity for capital gains is more limited and will come with more periods of capital losses.

The Canadian stock market (S&P/TSX Composite Index) had a good year with a total return (capital appreciation plus dividends) of 13%. Within the index, there was a wide range of outcomes. Gold stocks were the big losers (-44%) and resource stocks in general were weak. Also, two prime income-oriented sectors, utilities and REITs (Real Estate Investment Trusts) had negative returns of -5% and -4%, respectively. On the plus side, however, there were some big gains, led by insurance stocks with a total return of 42%, industrials and transportation at 37% and banks at 22%.

Over six years, the range of returns within the Canadian market wasn't as wide. Bank stocks led the way (10.0% per annum), followed by REITs (8.0%) and telecom services (7.5%). The resource sectors were a positive factor in the early years, but as was the case in 2013, they weighted down the market over the full period. Energy was virtually flat (1.0%) and materials, including mining, gold and agricultural products, had a negative return (-5.6%) for the 6-year period. (Reminder: All figures are compound annualized returns)

Capital Market Returns

Annualized (%) – Dec. 31, 2013

Asset Class	Index	1 Y	2 Y	3 Y	5 Y	6 Y
Cash	DEX 91 Day T-Bill	1.0	1.0	1.0	0.8	1.2
Short-term notes	5-year GIC	1.6	1.7	1.7	1.8	1.9
Bonds	DEX Universe Bond	-1.2	1.2	3.9	4.8	5.1
Canadian stocks	S&P/TSX Composite	13.0	10.1	3.4	11.9	2.7
Foreign stocks	MSCI World ($Cdn)	36.2	24.6	14.7	12.5	4.9

Annual Returns (%)

Asset Class	Index	2008	2009	2010	2011	2012	2013
Cash	DEX 91 Day T-Bill	3.3	0.6	0.5	1.0	1.0	1.0
Short-term notes	5-year GIC	3.0	2.0	2.0	1.9	1.7	1.7
Bonds	DEX Universe Bond	6.4	5.4	6.7	9.7	3.6	-1.2
Canadian stocks	S&P/TSX Composite	-33.0	35.1	17.6	-8.7	7.2	13.0
Foreign stocks	MSCI World ($Cdn)	-26.1	11.8	6.8	-2.9	14.0	36.2

The foreign markets were the feature of 2013. The MSCI World Index had a total return of 36.2% (in Canadian dollar terms), led again by the U.S. (42%). Japan (36%) and Europe (35%), however, weren't far behind.

With the strong performance of the last three years, foreign stock returns are now well above Canada for six years (4.9% vs. 2.7%). The U.S. market (7.5%), which had been written off for dead just a few years ago, pulled the European and Asian markets along.

Reference Portfolio

Using the above returns, we've calculated a return for Jane and Jim's Reference Portfolio (also referred as a Benchmark or Default Portfolio). This measure gives Jane and Jim a rough idea of how they should have done – i.e. it best represents the market environment the Balanced Income Portfolio was operating in. The Reference Portfolio is based on a Strategic Asset Mix (SAM) of 50% bonds, 30% Canadian stocks and 20% foreign stocks.

Reference Portfolio - Annualized Returns (%) – Dec. 31, 2013

	1 Y	2 Y	3 Y	5 Y	6 Y
Reference Portfolio	9.9	8.3	6.1	8.7	4.8
Estimated Annual Fee	0.5	0.5	0.5	0.5	0.5
After Fee	9.4	7.8	5.%	8.2	4.3

In these calculations, the Reference Portfolio has been re-balanced quarterly and a fee of 0.5% per year has been subtracted to reflect the on-going costs of maintaining an indexed portfolio.

Analysis

In this section, we compare the Balanced Income returns (after-fee) against the portfolio objectives and the Reference Portfolio, and analyze the differences.

Each investor has her/his own objectives. Jane and Jim have three. They want to measure their returns against (1) inflation, (2) 5-year GICs, which is a reasonable measure of risk-free investing, and (3) a low-cost, indexed portfolio.

As the table below reveals, the Portfolio has easily met Jane and Jim's objectives, even when 2008 is included in the calculation. Over six years, it has achieved a real (after inflation) return of almost 5% and is well ahead of an indexed portfolio.

Over the six years, different components of the portfolio carried the load at different times. The most consistent areas of strength were income-oriented investments and small-cap stocks. Foreign stocks generally, and the Global Equity Fund specifically, were a drag on returns through the middle of the period, but bounced back strongly.

Asset Mix

Jane and Jim's asset mix is shown in the 'Holdings by Asset Class' section of the sample statement.

Holdings by Asset Class

Asset Class	Market Value ($)	% of Total
Cash and Cash Equivalents	1,737.68	1.5
Fixed Income	34,027.49	47.2
Canadian Equity	21,596.89	30.0
U.S. Equity	5,582.56	7.7
International Equity	9,826.07	13.6
	$72,107.41	100.0%

Because the Portfolio is automatically re-balanced each quarter, its asset mix didn't diverge significantly from the SAM at any point over the six years. The managers of the underlying funds, however, made some tactical moves which affected the mix. These will be reviewed in the next section when we go through each of the funds. The emphasis on International stocks (13.6%) over U.S. (7.7%) is evidence of the managers' strategies impacting the asset mix.

Security Selection

The fund returns discussed in this section are shown in the table on the next page.

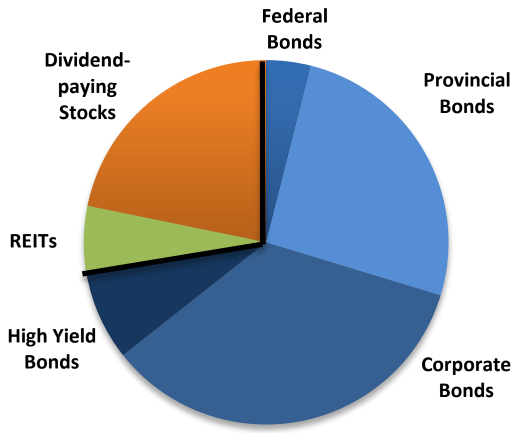
Income Fund

This fund is a diversified portfolio focused on income-oriented securities. Over the long term, its target is to be invested approximately 75% in bonds (federal and provincial government, corporate and high yield) and 25% in income-oriented stocks (including Real Estate Investment Trusts or REITs). The allocations will vary depending on the strategies of the manager, Connor, Clark & Lunn Investment Management (CC&L).

Balanced Income Portfolio Returns versus Long-term Objectives

	Annualized (%) to Dec. 31, 2013					*Annual Returns (%) to Dec. 31*					
	1 Y	2 Y	3 Y	5 Y	6 Y	2008	2009	2010	2011	2012	2013
Balanced Income	11.8	11.0	8.8	11.2	6.3	-15.2	20.2	10.3	4.5	10.1	11.8
Long-term Objectives											
CPI + 3%	-	-	4.5	4.5	4.6						
5-year GIC + 2%	-	-	3.7	3.8	3.9						
Reference Portfolio	9.4	7.8	5.6	8.2	4.3	-13.1	14.8	9.7	1.3	6.2	9.4
Added Value (v Reference)	2.4	3.2	3.2	3.0	2.0	-2.1	5.4	0.6	3.2	3.9	2.4

Income Fund – Asset Mix
December 31, 2013



The fund had another excellent year in 2013. The absolute return of 3.8% (after-fee) wasn't as high as previous years, but the fund was operating in a much less favourable environment. As was noted earlier, the overall bond market had a negative return of -1.2%, and REITS and utilities were also down.

Some of the highlights from 2013 were:

- The fund's positive return was fueled by an approximately 30% weighting in income-oriented stocks throughout the year (CC&L moved it between the high-20's and low-30's).
- The mix of stocks in the fund performed exceedingly well. In addition to strong returns from financial stocks, the fund gained from a purposeful exposure to the U.S. economic recovery through stocks like *Progressive Waste (+25%)*, *Tricon Capital (+24%)*, *Thomson Reuters (+45%)* and *Davis & Henderson (+44%)*.
- The fund was held back, however, by its exposure to the real estate sector. The weighting in REITs ranged between 5 and 8%, with the best performer being *Brookfield Office Properties* (+24%) and the worst being *Dundee REIT* (-17%).
- The bonds in the fund were down slightly on the year, but did considerably better than the bond market overall. The fund's emphasis on corporate bonds was a big positive, specifically its bias towards Canadian financials (insurance companies and banks).
- High yield bonds accounted for 8-9% of the fund throughout the year (with a brief period late in Q2 when CC&L reduced the weighting to 4%). The exposure to this higher reward/higher risk asset class (lower quality Canadian and U.S.

Funds Returns – Dec. 31, 2013

	Annualized (%)					Annual (%)					
	1 Y	2 Y	3 Y	5 Y	6 Y	2008	2009	2010	2011	2012	2013
Income Fund	3.8	5.9	6.3	10.3	6.8	-8.9	22.5	10.8	7.2	8.0	3.8
Benchmark*	2.4	3.4	3.8	6.6	4.5	-3.4	12.8	9.5	5.1	4.4	2.4
Added Value	1.4	2.5	2.3	3.7	2.3	-5.5	9.7	1.3	2.1	3.6	1.4
Equity Fund	23.3	19.4	12.0	12.8	4.9	-26.9	16.5	11.4	-1.3	15.6	23.3
Benchmark**	22.3	9.8	7.9	12.1	3.6	-30.2	25.7	13.3	-6.4	9.9	22.3
Added Value	1.0	9.6	4.1	0.7	1.3	3.3	-9.2	-1.9	5.1	5.7	1.0
Global Equity Fund	36.5	23.2	12.0	9.9	2.9	-25.8	14.3	-0.3	-7.5	11.2	36.5
MSCI World Index ($Cdn)	36.2	24.6	14.7	12.5	4.9	-26.1	11.8	6.8	-2.9	14.0	36.2
Added Value	0.3	-1.4	-2.7	-2.6	-2.0	0.3	2.5	-7.1	-4.6	-2.8	0.3
Small-Cap Equity Fund	24.7	20.9	18.1	18.2	8.4	-29.7	14.6	21.9	12.7	17.2	24.7
BMO Small Cap Index	7.8	5.1	-1.8	18.1	3.5	-46.6	75.1	38.5	-14.4	2.5	7.8
Added Value	16.9	15.8	19.9	0.1	4.9	16.9	-60.5	-16.6	27.1	14.7	16.9

Fund returns are net of fees. Benchmark returns do not include any fees or commissions.
*75% DEX Universe Bond Index; 25% S&P/TSX Composite Index.
**60% S&P/TSX Composite Index; 40% MSCI World Index ($Cdn).

credits) comes from the CC&L High Yield Bond Fund, which had a positive return of 3.6% for the year.

Over six years, the Income Fund produced a return of 6.8% per year. This performance was driven by a healthy allocation to corporate bonds and income-oriented stocks, and consistently good security selection in all areas by CC&L. The tilt towards corporate bonds (as opposed to government bonds) hurt the fund in 2008 when the credit market experienced a dramatic short-term decline, but the returns overall have justified the large corporate weighting. The extra yield the fund receives for taking more credit, or default, risk has varied greatly over the six years, but averaged out to about 1-1.25% per year.

Over the full period, CC&L has also used high-yield bonds effectively. In the early years, the fund bought U.S. high yield ETFs opportunistically to gain exposure to the sector, but over the last two years the fund has held units in the CC&L High Yield Bond Fund.

As we've warned our clients numerous times over the last two years, it will be difficult for the Income Fund to match its past returns in the next few years, due to the fact that interest rates are considerably lower and the yield spread between corporate and government bonds has narrowed. Both factors point towards lower returns for bonds in the coming years.

On a final note, we continue to monitor the people, investment philosophy and decision-making process at CC&L in addition to long-term performance. On all fronts, the factors we look at remain stable.

Equity Fund

The Equity Fund is a Canada-centric fund. The manager, CGOV Asset Management, selects the best stocks that Canada has to offer (regardless of industry sector) and then complements them with select stocks from the U.S. and overseas.

It had a total return of 23.3% in 2013 and over six years came in at 4.9% per year.

There were a number of contributors to the strong return last year:

- In general, CGOV focused on stable, well-financed, growing companies. This strategy has worked well over the last three years as other investors have been seeking 'safe', predictable stocks. It has also kept the fund out of resource stocks to a large extent, which has been important.
- As with any concentrated portfolio (24-25 stocks in this case), individual holdings can have a significant impact on returns, good and bad. This year the positive factors were: *Magna International* (+50% prior to being sold), *CN Rail* (+36%), *Home Capital Group* (+37%), *CAE* (+36%) and *TD* (+23%) in Canada; *CVS Caremark* (+50%), *Lincoln Electric* (+48%) and *Starbucks* (+48%) in the U.S; and *Novozymes* (+45%) in Denmark.
- The biggest detractors from the fund's returns were the stocks with significant sales and profits coming from the emerging markets. While CGOV is purposefully seeking this type of exposure to fuel future growth, the uncertainty around the pace of growth in China and other emerging economies weighed on fertilizer producer *Potash Corp.* (-15% prior to being sold), the Asian retailer *Dairy Farm International* (-13%) and Latin American retailer and Coke bottler, *FEMSA* (+1%).

Over the longer time periods, the Equity Fund has provided extra return over and above the market return (after its fee). Its focus on well-financed companies with defendable market positions and growing dividends has served it well. The fund underperformed, however, during 2009 and first half of 2010 when the lower quality, resource-based stocks were on a roll. During that period, the fund was up considerably, but couldn't keep up with the Canadian market in particular.

On the people, philosophy and process front, there's nothing new to report. CGOV has been successful and continues to grow, but still has considerable capacity to manage the Equity Fund in the manner they have since inception in 2007.

Global Equity Fund

This fund is the 'go anywhere' fund at Steadyhand. Edinburgh Partners Ltd (EPL), the manager, has the scope to purchase stocks from anywhere in the world, including the developed markets of U.S., Europe and Asia, as well as the less developed, 'emerging' markets.

In 2013, the Global Equity Fund had a total return of 36.5% (in Canadian dollars), which made it the best performing fund in the Steadyhand lineup. As noted earlier, it was a year when U.S. stocks continued to roll along, and Europe and Japan finally came alive. The fear of an economic collapse in Europe abated and stocks that were severely undervalued came to life.

Some of the most noteworthy elements of the fund's performance were:

- Stocks in the industrial, technology and auto sectors outperformed the more defensive ones. What held back the fund in previous years – too much sensitivity to the global economy – helped in 2013.
- In these sectors, there were some strong performers from Japan – *Panasonic* (+134%), *Bridgestone* (+80%), and *Yamaha* (+67%). In general, the fund was rewarded for its 20-25% allocation to Japan.
- Some of the fund's biggest contributors came from south of the border – *Johnson Controls* (+70%), *SanDisk* (+63%) and *Google* (+58%), but once again the fund's modest weighting in the U.S. (20-25%) was a negative.

Over six years, the Global Equity Fund's annualized return was a modest 2.9%. While EPL started and finished this period strongly, it had a cold hand throughout the middle years. Initially it was some unfortunate stock picks that led to the underperformance (*Nokia*, *Sony* and *Petrobras* being examples), but in the period immediately prior to 2013, the weakness came more from a long-term strategic call. EPL held the view that predictable, growing companies were too expensive (they'd already done well) and that less predictable, economically-sensitive companies were severely undervalued. This valuation gap started to correct itself in 2013, but it took longer to happen than EPL had anticipated.

The fund performed well in 2013, but its longer-term results are still below expectations. After periods of underperformance, it's particularly important to look behind the performance and assess the other three P's – people, process and philosophy. To that end, the investment management team at EPL has been stable. It continues to be led by the firm's founder and CEO, Dr. Sandy Nairn. The investment philosophy is unchanged and the decision-making process has been decisive, even during periods of weak performance.

Given the manager's approach (non-benchmark oriented, concentrated list of holdings) and the volatility of foreign markets and currencies, clients should be prepared for the fund to deviate significantly from the overall market (positively and negatively).

Small-Cap Equity Fund

In line with Steadyhand's 'undexing' philosophy, the manager of this fund, Wil Wutherich, doesn't feel compelled to mirror the small-cap index, or copy other managers. Rather, he looks for established, small to mid-sized companies that are well financed and have lots of scope to grow their profits.

The Small-Cap Equity Fund had another excellent year. The total return, including dividends and capital appreciation, was 24.7%.

There are sometimes a few key themes that serve to explain a fund's performance, but as is often the case with the Small-Cap Fund, the contributors to the 2013 return came from a diverse group of stocks, including *Badger Daylighting* (+180% - hydrovac excavation), *Stantec* (+67% - engineering and consulting) and *Medical Facilities* (+38% - elective surgeries).

A theme that was behind the performance of the Small-Cap Equity Fund was one of omission. For the most part, the fund avoided the gold sector and was light on the resource area in general. Two of the fund's weakest performers came from these sectors - *Primero Mining* (-27%) and *Palliser Oil & Gas* (-51%) - but it got off lightly compared to many other funds.

Over six years, the fund had a strong absolute return (8.4%), and performed better than most other small-cap funds. It's done particularly well in weak markets – either achieving gains when the market was down, as in 2011, or not dropping as much, as was the case in the 2008 market meltdown. It lagged significantly behind other funds, however, during 2009 and the first half of 2010 when mining and gold stocks rebounded dramatically. Clients should expect this pattern to repeat itself in some shape or form. Wil Wutherich has a history of making significant profits in the industrial, consumer and energy sectors, but doesn't tend to own many mining companies.

As for the other three P's, Wutherich & Co. was stable in 2013. The firm grew throughout the year, but still has capacity to manage effectively in the small-cap area of the market.

Risk

Steadyhand's absolute return philosophy would suggest that the Balanced Income Portfolio will be less volatile than the Reference Portfolio over time. While this was not the case in 2008 due to the Income Fund's large weighting in corporate bonds, the portfolio did hold up extremely well in 2011 (see chart below). Over six years, however, the quarterly standard deviation of the Balanced Income's returns was 4.0%, which is slightly higher than the Reference Portfolio at 3.6%. In other words, the pattern of the Reference Portfolio's returns was slightly smoother than the Steadyhand portfolio.

In general, the Balanced Income Portfolio pursues a more aggressive approach to fixed income (through an emphasis on corporate and high yield bonds), but a more cautious approach to stocks. The investment philosophy of the equity fund managers, which we call 'Undexing', tends to hold up better in weak markets.

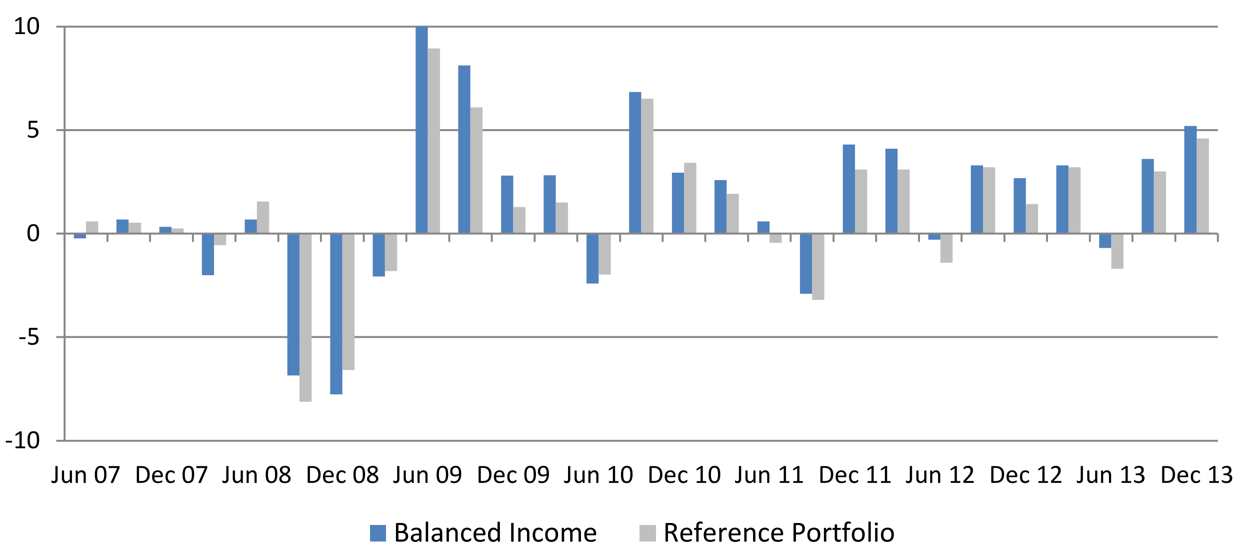
Portfolio volatility is not only determined by the type of securities held, but also by how synchronized, or correlated, they are. In this regard, the Small-Cap Equity Fund has been an excellent diversifier. It has been the fund that has most consistently been out-of-synch with the other asset categories.

Overall, the Balanced Income's price movements have been in line with expectations.

There's no way of determining for sure how any portfolio will perform in the future. Looking back, the Portfolio had a better record in up markets – it beat the Reference Portfolio in 15 out of 18 quarters – but also outperformed in 5 out of 9 down quarters (see the quarterly return chart below).

Based on the (1) undexing philosophy, (2) design of the funds, (3) managers' approach and (4) history so far, Jane and Jim should expect their portfolio to lag

Quarterly Return Comparison vs. Reference Portfolio



behind the Reference Portfolio and other balanced portfolios when mining and gold stocks are running. While the managers won't always have such little exposure in these sectors, they are unlikely to ever be heavily invested either.

Cost

On the first page of Jane and Jim's statement in the 'Consolidated Holdings' section, the cost of management is shown (see below). The Management Expense Ratio (MER), which we refer to as the "One Simple Fee", includes all costs to the client. There are no other purchase, redemption, switching or administration charges. The total cost for Jim and Jane in 2013 was 1.24%, or approximately $835 (the table below from the Client Statement shows a fee of $220 for the fourth quarter).

We should note that to keep the simulation simple, we have not applied Steadyhand's fee rebate program to Jane and Jim's portfolio. Their fee is the maximum a client would pay for the 50/50 mandate.

If they were actual clients, there are two ways their fees would be reduced. (1) Clients with more than $100,000 invested with Steadyhand (total by household) receive a rebate. For example, the fee for a client with $250,000 invested in the Balanced Income Portfolio would be 1.09%. And (2) there is a rebate related to tenure. After five years, the Smith's fee would be reduced by 7% and after 10 years, by another 7% (14% in total).

Consolidated Holdings

Fund	**Market Value at December 31, 2013 ($)**	**% of Total**	**One Simple Fee (%)**	**Your Fee (%)**	**Your Fee ($)**
Steadyhand Income Fund	47,590.89	66.0	1.04	1.04	122.04
Steadyhand Equity Fund	10,095.04	14.0	1.42	1.42	35.35
Steadyhand Global Equity Fund	9,373.96	13.0	1.78	1.78	41.14
Steadyhand Small-Cap Equity Fund	5,047.52	7.0	1.78	1.78	22.15
	$72,107.41	**100.0%**	**1.24%**	**1.24%**	**$220.68**
				Fee Rebates:	**$0.00**

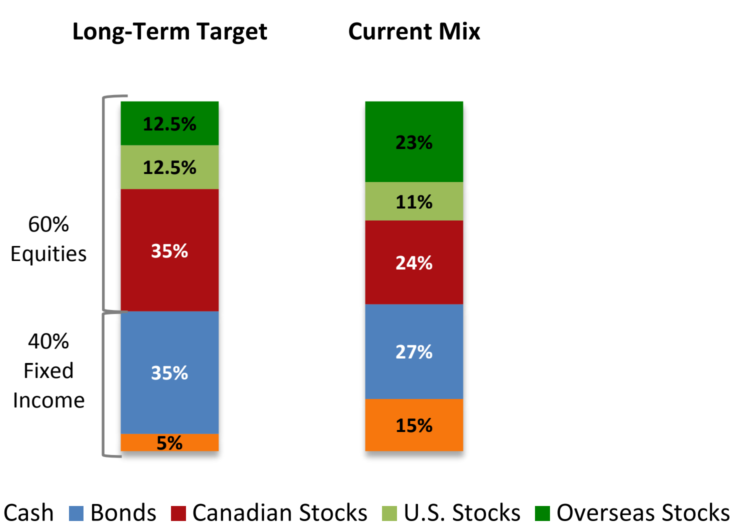
Founders Fund

The Founders Fund is the newest member of the Steadyhand lineup. It was launched in February, 2012. The fund is a balanced mix of Steadyhand's fixed income and equity funds, or what is commonly referred to as a 'fund of funds'. It has a long-term asset mix target of 60% stocks and 40% fixed income. It is managed by Steadyhand President and Chief Investment Officer, Tom Bradley. He will adjust the fund's asset mix to reflect his views on corporate fundamentals, valuations and market sentiment.

Since inception, the Founders Fund has had a bias towards non-North American stocks (see chart below). Rather than the long-term target of 35% Canadian stocks and 25% foreign, the fund had been a reverse of that (25% Canadian / 35% foreign). This strategy was implemented at two levels: (1) Tom allocated more of the assets to the Global Equity Fund; and (2) the Equity and Small-Cap Equity managers bought more stocks domiciled outside of Canada. With regard to the Equity Fund, CGOV has been running with a minimum allocation to Canada because they're finding better value in the U.S. and internationally.

The Founders Fund had a return of 15.7% (after-fee) in 2013 and an annualized return of 11.8% per year for the 22 month period.

Founders Fund – Asset Mix
Dec. 31, 2013



Action and Success

When Jane and Jim look to how they can generate the best returns going forward, they need to remember that the funds in the Portfolio are professionally managed. In other words, they have to stay on top of their strategic asset mix (SAM) and monitor the portfolio, but for the most part, the managers are doing all the work. They are buying and selling securities, and making adjustments to their strategies, all on behalf of the Smith's.

For a complete review of the managers' outlooks and strategies, please refer to the recent Quarterly Report, which is posted on steadyhand.com.

Re-balancing

As noted earlier, Jane and Jim's portfolio is automatically re-balanced at the end of each quarter. **For actual clients using the Balanced Income model, some re-balancing will required from time to time to stay on their 50/50 SAM.**

Early 2014 is likely one of those times. As we've highlighted throughout this report, the stocks in the portfolio went up a lot last year while the bonds were flat. If there were no moves made throughout the year, the portfolio will now be more heavily weighted in stocks than at the beginning of the year and out of line with the 50/50 target mix.

Disclosures

This report was published on January 24, 2014, by Steadyhand Investment Management Ltd.

STEADYHAND

PORTFOLIO STATEMENT

From October 1 to December 31, 2013

Mr. JIM SMITH
278 Brant St.
Burlington, ON, L73X4

Client since: December, 2007

STEADYHAND INVESTMENT FUNDS INC.
1747 W. 3RD AVE
VANCOUVER, BC, V6J 1K7
PHONE: 1−888−888−3147
FAX: 1−888−888−3148
http://steadyhand.com

Your Accounts

Type	Number	Owner	Market Value at December 31 2012 ($)
Investment	902031	JANE SMITH	28,842.96
RRSP	970027	JIM SMITH	43,264.45
			72,107.41

Consolidated Holdings

Fund	Market Value at December 31 2012 ($)	% of Total	One Simple Fee (%)	Your Fee (%)	Your Fee ($)
Steadyhand Income Fund	47,590.89	66.0	1.04	1.04	122.04
Steadyhand Equity Fund	10,095.04	14.0	1.42	1.42	35.35
Steadyhand Global Equity Fund	9,373.96	13.0	1.78	1.78	41.14
Steadyhand Small−Cap Equity Fund	5,047.52	7.0	1.78	1.78	22.15
	$72,107.41	**100.0**	**1.24%**	**1.24%**	**$220.68**
				Fee Rebates:	**$0.00**

Notes: 'One Simple Fee' is our standard fee before reductions, if applicable. 'Your Fee' is the estimated fees you paid during the statement period. For more information see our website. Fee rebates are reinvested in additional units of the funds you hold.

STEADYHAND

PORTFOLIO STATEMENT

From October 1 to December 31, 2013

Holdings by Asset Class

Asset Class	Market Value ($)	% of Total
Cash and Cash Equivalents	1,073.68	1.5
Fixed Income	34,027.49	47.2
Canadian Equity	21,596.89	30.0
U.S. Equity	5,582.56	7.7
International Equity	9,826.07	13.6
	$72,107.41	100%

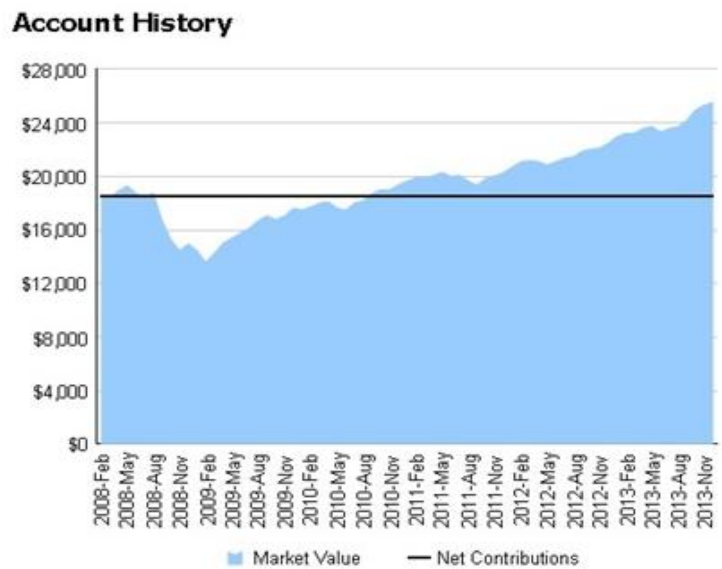
Portfolio Activity Since Inception

	Value ($)
Beginning Value	50,000.00
Net Contributions (contributions - redemptions)	-
Gain/Loss	22,107.41
Ending Value	$72,107.41

Consolidated Performance

Performance Period	Rate of Return (%)
Three Month	5.2
One Year	11.8
Two Year	11.0
Three Year	8.8
Five Year	11.2
Since Inception	6.3

Annualized compound rates of return on periods over one year. Consolidated performance is calculated using the monthly weighted average rate of return for the accounts in the portfolio.



Note: the above chart is an example of the performance reporting provided on all client statements. It does <u>not</u> relate to the Smith's account.