



Quarterly Report

June 30, 2010



Steadyhand Update

It's getting discouraging. Stock markets are gyrating. Some of the gains from 2009 have been taken back. And world events and financial news don't make us feel any better. Clearly it's going to be tough to sustain economic growth after the stimulation tap is turned off. The world's debt overload will have ramifications for years to come. And it's tough to see how we can get out of it without another debacle, or at least a very slow period of growth.

In this context, our balanced clients' returns are between 0 to -3% so far this year.

Is it discouraging? Yes. Surprising? No. The returns of last year were not sustainable and our cautious view anticipated a bumpy road ahead, for the economy in general and the 'debt challenged' specifically.

Should it be debilitating? Absolutely not. As investors, a lack of good news shouldn't take us off our planned route. In fact, it would be the worst time for that to happen, given that lower stock prices portend higher returns in the future.

Our work with clients continues to center around their strategic asset mix. We still have a cautious bias (more potholes ahead), but aren't recommending big deviations from their long-term targets. Getting out of the market because of impending doom brings with it its own risks, namely missed opportunity and the challenge of getting back in.

In these trying times, we are doing the same things we always do. At the big picture level, I'm assessing value across different types of investments and trying to get our asset mix view 'approximately' right. Meanwhile, our managers are doing the heavy lifting as they manage the funds day-to-day. We just finished our quarterly reviews with each of them and they're universally focused on holding securities on your behalf that are undervalued relative to their long-term prospects. That is how we're going to deliver above-average returns in the long run.

Gord O'Reilly, manager of the Equity Fund, brought our strategy to life with some numbers. CGOV's valuation models project a set of possible outcomes for the fund ranging from a +50% return (best case) to -15% (worst case). In other words, declines are a distinct possibility (as always), but the potential for gain is considerably greater (roughly a 3 to 1 ratio).

In face of the skittish markets, Steadyhand received some positive news last month. Morningstar Canada released its Stewardship Grades and we were at the top of the list (see page 13). The survey, which measures how well mutual fund companies' interests are aligned with their clients, involves an assessment of corporate culture, manager incentives, fees and regulatory history. We think our business practices differentiate us from other firms and it was gratifying to see an independent research firm confirm that.



After you've reviewed this report and your quarterly statement, don't hesitate to call or write us if you have questions or comments. Chris, Scott and I would be happy to talk about it and help you make any adjustments if required.

A handwritten signature in black ink, appearing to be 'Jim'.



Takeaways

If the beach is calling and you only have a few minutes to read this report, here are a few key takeaways we'd like to leave with you.

1. **Stocks had a challenging quarter** as investors focused on the European debt problems and the sustainability of the global economic recovery. Losses were widespread, with the Canadian market falling 5.5% and the U.S. Index (S&P 500) dropping 7% in Canadian dollar terms. The World Index was down more than 8% with the most notable declines in Asia, where the Japanese market lost 15% (in local currency terms) and Chinese stocks declined more than 20%. Several European markets also suffered double-digit declines.
2. **Our fund managers remain optimistic about the medium and long-term outlook for equities.** Looking beyond the dark headlines in Europe and the economic challenges that lie ahead for the developed world, there are still many profitable businesses worth owning. Our managers feel that valuations are reasonable on balance, and compelling in certain industries and regions. They all did some buying in the quarter, and there are a handful of new businesses in the portfolios. While they are often contrarian to what 'the herd' is doing, they tend to agree with the commonly held view that stocks will continue to experience bigger than normal price swings in the near term as the global economy works through its imbalances.
3. **The bond market had a strong quarter**, with government bonds leading the way as safer assets were in high demand. Corporate bonds also provided positive returns, but to a lesser extent. The Bank of Canada increased its key short-term lending rate for the first time since 2007 (it now stands at 0.50%). However, the central bank remains cautious and the timing and magnitude of future rate hikes is uncertain. In this low interest rate environment, fixed income investors should expect modest returns going forward.
4. Our clients with a **balanced asset mix** experienced returns ranging from roughly -2% to -6% in the quarter, depending on their fund mix. Over the past year, the range is about +7% to +12%.
5. **Your quarterly statement is available on the website.** In addition to your account information, the statement shows the performance of your account(s), your anniversary date as a client (which becomes important in five years) and what you paid us in fees during the quarter. Our podcast reviewing the second quarter will also be posted to the website next week. 💡

If you're already lounging in the shade, we encourage you to read the pages that follow, which provide further details on each of our funds.



Steadyhand Savings Fund

In a widely anticipated move, the Bank of Canada raised its key lending rate by one-quarter of a percent to 0.5% in early June. It was the first rate increase since 2007.

Money market investors shouldn't get too excited, however, as the Bank stressed that there is still uncertainty surrounding the global economic outlook and any further rate hikes (reduction of stimulus) would have to be weighed carefully against global economic developments.

With short-term rates still extremely low, money market securities continue to provide nominal returns. The DEX 91 Day T-Bill Index returned 0.1% in the quarter and was up 0.3% over the past year. The Savings Fund also provided a return of 0.1% in the quarter, and gained 0.2% over the past 12 months. Since the fund's inception (February '07), it has returned 1.9%

per year (in annualized terms) while the T-Bill Index has returned 2.4%.

There was very little change to the structure of the fund in the quarter. Bank paper and T-Bills continue to make up the majority of the portfolio (roughly 75%), while corporate paper and bank sponsored asset backed commercial paper (ABCP) comprise the balance.

The manager, Connor, Clark & Lunn (CC&L), is finding it difficult to add value as the credit pick-up (yield advantage over T-Bills) on bank and corporate paper is relatively insignificant.

The pre-fee yield of the fund at the end of June stood at 0.6%. Because of the low yield, we have maintained a reduced fee on the fund (originally initiated in April 2009) to help provide a positive yield for unitholders.

Top 10 Holdings

Govt. of Canada T-Bills 0.41% (09/02/10)	30.1%
TD Bank B/A 0.56% (08/31/10)	7.5%
Bank of Nova Scotia BDN 0.66% (09/21/10)	7.5%
Bank of Montreal B/A 0.66% (09/27/10)	7.5%
GE Capital C/P 0.81% (09/27/10)	4.3%
Darwin Trust C/P 0.90% (10/18/10)	4.3%
CIBC B/A 0.89% (11/30/10)	4.3%
Royal Bank B/A 0.39% (07/12/10)	3.2%
National Bank B/A 0.71% (09/30/10)	3.2%
Prov. of Ontario T-Bills 0.62% (10/20/10)	3.2%

Issuer Allocation

Government Notes	33.7%
Corporate Notes	66.3%

Yield

7-day Yield*	0.4%
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**This is an annualized historical yield (net of fees) based on the seven day period ended on June 30, 2010, and does not represent an actual one year return.*

Fund Size

Total Net Assets	\$4,639,350
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Annualized Compound Returns

	3 M	YTD	1 YR	2 YR	3 YR	Incept.*
Savings Fund	0.1%	0.1%	0.2%	0.8%	1.7%	1.9%
DEX 91 Day T-Bill Index	0.1%	0.2%	0.3%	1.2%	2.1%	2.4%

*February 13, 2007

The Savings Fund is powered by:





Steadyhand Income Fund

The bond market had a strong second quarter, rising 2.9% (measured by the DEX Universe Bond Index), as investors focused on safe assets in light of the European debt problems and uncertainty over the global economic recovery. The S&P/TSX Composite Index dropped 5.5% amid the negative sentiment surrounding stocks. Over the past year, the two indices were up 6.9% and 12.0%, respectively.

With safety once again in high demand, investors favored government bonds over corporate bonds and stocks. This pushed yields lower on Canada bonds, which correspondingly led to a rise in prices. Corporate bond yields also fell, albeit more modestly, and for the first time since 2008 'governments' outperformed 'corporates'.

The Income Fund gained 0.8% in the quarter, and was up 15.6% over the past 12 months. Since its inception in February '07, the fund has gained 5.4% per year (in annualized terms).

The manager, Connor, Clark & Lunn (CC&L), made a few noteworthy adjustments to the portfolio in the quarter. In the government bond portion, they reduced the fund's exposure to federal bonds ('Canadas') and increased its weighting in provincial bonds, as they feel the relative valuations of the latter are more attractive. As a whole, government securities were the greatest contributors to performance in the quarter, and they now make up roughly 37% of the fund.

On balance, however, CC&L still favours corporates, although they have trimmed some positions in recent months as spreads (the difference in yield between governments and corporates) have narrowed. At the end of the quarter, the fund held 40% of its assets in these bonds, with an emphasis still on bank, insurance and infrastructure issuers. The manager may look to increase the portfolio's exposure to

corporates if spreads become more attractive, but they feel it is not the right time at present given the increased economic uncertainty.

The other notable shift took place within the income-equity portion of the portfolio. Early in the quarter, the manager reduced the fund's exposure to dividend-paying stocks as a cautionary measure. This was achieved by trimming a few holdings and investing cash inflows primarily in fixed income securities. At quarter-end, income-equities comprised 23% of the portfolio, down from 31% at the end of March.

TD Bank and *Royal Bank* continue to be the largest equity positions, while *CIBC*, *Manulife*, *Enbridge* and *Brookfield Infrastructure Partners* are other notable holdings. Overall, the yield of the income-equity component of the fund is 6.3%.

CC&L also added to a few real estate positions, as they continue to like the outlook and yields of these securities. In particular, they feel that apartment investments represent good value (including *Canadian Apartment Properties REIT*, *Killam Properties* and *Transglobe Apartment REIT*).

The fund's pre-fee yield at the end of June was 4.1%. This represents a yield advantage of roughly 1.0% over a Government of Canada 10-year bond.

A renewed flight to safety has investors on edge once again. While CC&L is closely following the current debt issues, they feel the global economic expansion remains in tact, and the situation is not spinning out of control as some observers may suggest. The manager believes that progress may be slow and halting at times, and they intend to use their full tool kit and remain tactical in navigating the fund through the recovery.



Income Fund - Portfolio Characteristics

Top 10 Holdings

CIBC B/A 1.00% (12/07/10)	3.4%
Canada Housing Trust 3.75% (03/15/20)	3.2%
Government of Canada 5.75% (06/01/29)	2.7%
TD Capital Trust 7.243% (12/31/18)	2.5%
Prov. of Quebec T-Bills 0.26% (07/02/10)	2.5%
Prov. of Ontario 4.20% (06/02/20)	2.5%
Canada Housing Trust 3.15% (06/15/14)	2.4%
Bank of Nova Scotia 0.53% (08/06/10)	2.4%
Government of Canada 5.30% (06/01/13)	2.3%
GE Capital Canada 5.53% (08/17/17)	2.3%

Issuer Allocation (Bonds)

Corporate Bonds	52.4%
Federal Bonds	16.5%
Provincial Bonds	31.1%

Rating Summary (Bonds)

AAA	28.9%
AA	30.0%
A	34.2%
BBB	6.9%
BB (or lower)	0.0%

Asset Mix

Bonds	77.0%
Dividend-paying Equities	13.0%
Income Trusts & REITs	10.0%

Portfolio Summary (Bonds)

Average Term to Maturity	8.5 yrs
Duration	6.0 yrs

Fund Size

Total Net Assets	\$38,403,222
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Yield


Pre-fee Yield	4.1%
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Annualized Compound Returns

	3 M	YTD	1 YR	2 YR	3 YR	Incept.*
Income Fund	0.8%	4.3%	15.6%	8.0%	5.9%	5.4%
DEX Universe Bond Index	2.9%	4.2%	6.9%	7.0%	6.9%	5.9%
S&P/TSX Composite Index	-5.5%	-2.5%	12.0%	-8.8%	-3.9%	-1.3%

*February 13, 2007

Stock Snapshot



Fort Chicago Energy Partners (FCE-UN: TSX) owns and operates energy infrastructure assets, including pipelines, natural gas extraction and transportation systems, and power generation. CC&L likes the company because it: (1) has an attractive asset base (including the Alliance Pipeline, which delivers natural gas from Canada to the U.S.), (2) pays an appealing monthly dividend (yielding roughly 10%) that looks to be sustainable, and (3) is a potential consolidation target down the road for Enbridge (which also has an interest in the Alliance Pipeline). Fort Chicago currently has a weight of 0.5% in the fund (2.1% of the income-equity component).

The Income Fund is powered by:





Steadyhand Equity Fund

Equity markets were skittish in the second quarter, with the S&P/TSX Composite Index falling 5.5% and the MSCI World Index losing 8.4% (in Canadian dollar terms). Over the past year, the TSX was up 12.0%, while the World Index gained 1.0%.

The Equity Fund dropped 7.8% in the quarter and was up 1.6% over the year. Since the fund's inception (February '07), it has lost 5.8% per year while the Canadian market was down 1.3% and the World Index declined 10.5% per year.

As short-term price movements are out of the manager's control, CGOV focuses on how the businesses they own have performed from an operating perspective. Among the key metrics they consider are revenue growth, earnings growth and 'owner's yield', which is a calculation that takes into consideration a company's book value and dividend yield. As a whole, their collection of 24 businesses have performed well based on these measures.

While there have been some individual issues, the portfolio's holdings remain financially strong, profitable, and have gained market share at the expense of weaker competitors. Many also have attractive pricing power due to their leading brand status (e.g., *Rogers* and *Unilever*).

As a portfolio of stocks, however, the results have been more mixed. Higher quality stocks have not kept up with the overall market and the foreign holdings (40% of the fund) have been a drag on performance over the past several quarters (largely due to the impact of currency).

With corporate earnings growing and stock prices flat or falling, the price-earnings multiples (P/E) on many holdings have compressed to the low teens or high single digits. *Research in Motion*, *Home Capital Group* and *Compass*

Minerals, for example, are all very attractively valued based on historical comparisons.

CGOV has taken a balanced approach in the post-crisis period, holding a mix of economically-sensitive stocks (*Potash Corp.*, *Canadian Oil Sands*, *Suncor*), stable businesses (*Rogers*, *Ritchie Bros.*, *CVS*, *Diageo*) and higher growth companies (*Research in Motion*, *Cisco*, *Oracle*). While the holdings are a diverse blend of growth and defense, the bias remains on 'quality'.

Although many stocks were beaten up in the quarter, *Administaff* is an example of a company that is starting to be recognized for its quality attributes, after being a 'goat' the last few quarters. *Rogers* has also recently trended upwards in a falling market – a positive sign.

Manulife and *Shoppers Drug Mart* remain sore spots, but CGOV feels the businesses are valuable franchises and will eventually brush off the scars.

Trading activity was limited in the quarter. *Idexx Laboratories* was sold, as it continued to appreciate nicely and hit the manager's valuation target. Conversely, positions in *TMX Group*, *Potash Corp.* and *Oracle* were increased, among others.

The manager's research suggests that the portfolio has upside potential of approximately 50% (based on their best case scenario) compared to downside risk of roughly 15% (worst case). While patience will continue to be key, this is the type of asymmetrical scenario we like.



Equity Fund - Portfolio Characteristics

Top 10 Holdings

Suncor Energy	5.8%
Compass Minerals	5.2%
Canadian Oil Sands Trust	4.7%
Home Capital Group	4.7%
Birchcliff Energy	4.4%
CVS Caremark	4.2%
Unilever	4.1%
Pason Systems	4.1%
Rogers Communications	4.0%
TMX Group	3.9%

Asset Mix

Equities	95.7%
Cash & Short-term	4.3%

Fund Size

Total Net Assets	\$25,564,995
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Sector Allocation (Equities)

Financials	20.6%
Energy	19.9%
Consumer Staples	16.1%
Industrials	14.7%
Materials	12.9%
Information Technology	11.6%
Telecommunication Services	4.2%

Geographic Profile (Equities)

Canada	60.0%
U.S.	28.2%
Overseas	11.8%

Concentration

Number of stocks	24
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Annualized Compound Returns

	3M	YTD	1 YR	2 YR	3 YR	Incept.*
Equity Fund	-7.8%	-6.6%	1.6%	-12.0%	-6.6%	-5.8%
S&P/TSX Composite Index	-5.5%	-2.5%	12.0%	-8.8%	-3.9%	-1.3%
MSCI World Index (\$Cdn)	-8.4%	-8.5%	1.0%	-9.7%	-11.4%	-10.5%

*February 13, 2007

Stock Snapshot



Unilever PLC (UL: NYSE) is an Anglo-Dutch company that produces a wide range of consumer products, from foods to health and personal care goods. Unilever's portfolio of leading brands includes Lipton, BeceL, Dove and Axe. CGOV likes the company because it owns one of the best consumer staples portfolios with a meaningful focus on the emerging markets (half of its sales come from high-growth markets). Unilever also has very dominant brands, with nearly two-thirds of sales coming from products that are #1 in their market. Due to poor execution in the past, the stock trades at a discount to many of its peers. However, CGOV feels that the firm's new CEO is poised to re-invigorate the firm's culture and that there is substantial room for margin improvement and earnings growth. The stock has a weight of 4.1% in the fund.

The Equity Fund is powered by:





Steadyhand Global Equity Fund

It was a sour quarter for global equities. Heightened concerns over sovereign debt problems and sluggish economic growth weighed on most major markets. The MSCI World Index dropped 8.4% in Canadian dollar terms. Over the past year, the index is up 1.0%. The loonie continued to climb against the euro (+5%) but gave up ground against the British pound (-3%), U.S. dollar (-4%), and yen (-9%).

The Global Equity Fund dropped 11.7% in the quarter and was up 0.6% over the past 12 months. Since its inception in February '07, the fund has lost 11.4% per year, roughly in line with the market's decline.

The manager, Edinburgh Partners Limited (EPL), makes no qualms that the global economy is out of sync. Developed countries are burdened with debt and will face further challenges as they unwind stimulus programs. Conversely, emerging economies are growing at above-average rates, and will need to be wary of inflation. In this 'two-speed' world, EPL feels it's important to not rest too heavily on one economic theme. As such, the portfolio has no significant tilt to cyclical, growth or value stocks.

Despite what the headlines may suggest, stocks are not doomed. EPL feels that the economic recovery will be slow and bumpy, but good investment opportunities will arise for those with an eye for value and a stomach for volatility.

Stocks of this ilk include a number of industrial and manufacturing companies. The manager is finding established businesses that are being valued as if they will never again make money, particularly in Japan (e.g., *Kajima*, *Mitsubishi*, *Fujitsu*, and *Panasonic*). Yet, a slight improvement in profit margins could have a big impact on their bottom line. EPL has been increasing the fund's exposure to Japan, and most recently added Panasonic to the portfolio

(see Stock Snapshot). Stocks in the country now make up 18% of the fund.

Roughly 27% of the fund continues to be invested in U.S. stocks. Cognizant of the debt overhang, EPL notes that the country is also home to leading businesses with strong intellectual leadership in many important industries. Core holdings such as *Cisco*, *Intel* and *GE* are complemented with consumer-related and energy stocks, including *DR Horton*, *Time Warner Cable*, and *ConocoPhillips*.

Europe is at the center of the debt and currency issues that have plagued the markets, and the fund's holdings that have a domestic focus have suffered due to the negative sentiment. These include *E.ON* (a German utility), *Intesa Sanpaolo* (an Italian bank) and *France Telecom*. *Nokia* also saw a significant pullback after it further delayed the introduction of a new operating platform and revised its outlook.

EPL stresses that it's important to put Europe's troubles in context. The biggest problems lie in the fringes (Greece, Portugal) and have more to do with competitiveness than debt. They feel there are still stocks worth buying in the stronger nations.

Along with *Panasonic*, the manager added *Tesco* (the U.K.'s leading retailer) and *Singapore Telecommunications* (Asia's leading communications company) to the portfolio in the quarter. *France Telecom* and *Franklin Resources* were sold.

The spring quarter was evidence that global equity markets are still fragile. As EPL's CEO recently put it, "Returns from equities are likely to be lower and volatility greater than in the past, but the long-term outcome for equities remains a positive one, both absolutely and relative to other asset classes."



Global Equity Fund - Portfolio Characteristics

Top 10 Holdings

Time Warner Cable	3.5%
Vodafone	3.3%
Mitsubishi Corp.	3.1%
ConocoPhillips	3.1%
General Electric	2.9%
China Mobile	2.9%
Cisco Systems	2.7%
Deutsche Post	2.7%
Singapore Telecommunications	2.7%
GlaxoSmithKline	2.7%

Sector Allocation (Equities)

Financials	17.0%
Information Technology	17.0%
Industrials	14.6%
Consumer Discretionary	13.2%
Energy	11.6%
Telecommunication Services	11.3%
Health Care	5.6%
Consumer Staples	5.1%
Materials	2.5%
Utilities	2.1%

Asset Mix

Equities	95.0%
Cash & Short-term	5.0%

Geographic Profile (Equities)

U.S.	27.1%
Europe (ex-U.K.)	24.8%
Japan	18.1%
U.K.	14.4%
Asia (ex-Japan)	10.0%
Other	5.6%

Fund Size

Total Net Assets	\$21,734,295
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Concentration


Number of stocks	39
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Annualized Compound Returns

	3 M	YTD	1 YR	2 YR	3 YR	Incept.*
Global Equity Fund	-11.7%	-11.1%	0.6%	-7.2%	-11.9%	-11.4%
MSCI World Index (\$CDN)	-8.4%	-8.5%	1.0%	-9.7%	-11.4%	-10.5%

*February 13, 2007

Stock Snapshot



Panasonic (6752: Tokyo) is one of the world's leading electronics companies. Based in Osaka, the company manufactures a wide range of products, from televisions and components to home appliances. EPL likes Panasonic because it is a well-known brand that has a strong balance sheet and a solid product range with good growth prospects. In an over-cluttered consumer electronics market, they feel that Panasonic will be one of the leading survivors. The addition of Sanyo to the Panasonic family (it secured majority ownership in late 2009) also provides the company with valuable technology in the solar and battery industries, although the acquisition may cause some initial indigestion. The stock has a weight of 2.5% in the fund.

Global Equity Fund is powered by:  **Edinburgh Partners**



Steadyhand Small-Cap Equity Fund

The small-cap market retreated in the second quarter, with the BMO Small Cap Index falling 5.7%. After a year of strong gains, small-cap stocks gave up some ground as investors curbed their appetite for risk.

The Small-Cap Equity Fund fell 4.2% in the quarter and was up 12.8% for the year ending June 30th. Since its inception in February '07, the fund has lost 0.4% per year, modestly ahead of the market's decline of 3.7%.

As a reminder, the manager's (Wutherich & Company) focus is on smaller companies that are established leaders in their field, have strong balance sheets and experienced management teams that have a lot of skin in the game.

The fund's assets continue to be tightly concentrated in a diverse collection of businesses that produce tangible products and offer in-demand services. This is a feature that sets it apart from the small-cap market as a whole, which consists of many exploration-phase resource companies and other early-stage businesses that are yet to reach profitability.

Along with looking noticeably different than the index, another distinctive feature of the fund is the illiquidity of several of its holdings. Over half of the fund's holdings have a market capitalization of less than \$300 million. These are businesses that are under-followed and have modest trading volumes. While this can lead to big swings in their share prices, the manager isn't discouraged by short-term volatility as long as the underlying business is not broken. Investing in illiquid securities requires patience, but is a strategy that has proven to produce market-beating returns over time.

On the topic of price swings, *Vecima Networks*, *Medical Facilities* and *Shoppers Drug Mart*

experienced the largest share price declines in the quarter, while *MacDonald Dettwiler* gained ground. Although Shoppers was dealt a blow by the Ontario government (with respect to generic drug revenues), there were no glaring operating issues with any of the fund's holdings.

A new addition to the portfolio, *Alaris Royalty Corp.* (see Stock Snapshot), is a good example of what sets the fund apart from larger offerings. Alaris has a market cap of roughly \$120 million and would not be on the radar screen of most managers due to its small size and relative illiquidity. Along with having a unique and attractive business model, Wil Wutherich likes the company's management team and the fact that it has attracted interest from prominent private investors.

Balancing the portfolio's 'petite' holdings are medium-sized businesses such as *MacDonald Dettwiler*, *Stantec*, and *Pacific Rubiales Energy* (the other new addition in the quarter). These stocks have market caps exceeding \$1 billion and make up roughly 30% of the fund.

Pacific Rubiales is typical of what the manager looks for in an energy company. The firm is a sizeable producer of oil in Columbia (producing nearly 20% of the country's oil) and has a strong growth profile based on what they currently have in the ground. The company is very profitable and has a strong track record of execution.

With the addition of Pacific Rubiales, two of the fund's three energy holdings operate outside Canada (although they are all Canadian based). This provides valuable emerging market exposure and complements some of the fund's smaller companies that focus more on the domestic market.



Small-Cap Equity Fund - Portfolio Characteristics

Top 10 Holdings¹

Canadian Helicopters Income Fund	9.0%
Stantec	7.6%
Total Energy Services	7.1%
MacDonald Dettwiler	6.9%
Easyhome	6.2%
Hibbett Sports	6.0%
Medical Facilities	5.8%
Pacific Rubiales Energy	5.7%
Glacier Media	5.7%
Vecima Networks	5.6%

Asset Mix

Equities	92.9%
Cash & Short-term	7.1%

Fund Size

Total Net Assets	\$12,859,030
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Sector Allocation (Equities)

Industrials	22.1%
Consumer Discretionary	18.1%
Energy	17.4%
Information Technology	16.8%
Consumer Staples	10.8%
Financials	5.7%
Health Care	5.3%
Telecommunication Services	3.8%

Geographic Profile (Equities)

Canada	93.7%
U.S.	6.3%

Concentration

Number of Stocks	17
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Annualized Compound Returns

	3 M	YTD	1 YR	2 YR	3 YR	Incept.*
Small-Cap Equity Fund	-4.2%	-1.5%	12.8%	-11.4%	-4.7%	-0.4%
BMO Small Cap Index	-5.7%	1.3%	39.1%	-1.7%	-5.1%	-3.7%

¹Note: The Top 10 Holdings for the Small-Cap Fund are as of April 30, 2010.

*February 13, 2007

Stock Snapshot



Alaris Royalty Corp. (AD: TSX) is a Calgary-based provider of alternative financing to private businesses in North America. The company lends funds to profitable companies that are seeking capital but do not want to give up an ownership stake in their business (such companies include *End of the Roll Carpet & Vinyl*, *MEDchair*, and *LMS Reinforcing Steel Group*). In exchange, Alaris receives a stream of royalty income that is based on a “top line” performance metric such as gross revenues. Wil Wutherich likes the business because it offers investors an attractive income stream with good visibility and the ability to benefit from the growth of its partner companies. Alaris has a weight of 5.3% in the fund.

The Small-Cap Equity Fund is powered by:






Making the Grade

We're proud to announce that we received an "A" grade from Morningstar based on their new Stewardship grading system.

The Stewardship Grades are designed "to help investors identify and compare fund companies that do a good job – or a poor job – of aligning their interests with those of fund unitholders."

The grading methodology goes beyond the traditional measures of rating funds, which focus solely on past performance. Instead, Morningstar's evaluation is based on four components: Corporate Culture, Manager Incentives, Fees, and Regulatory History.

The results are listed below. Further details on the grades and scoring system can be found in one of our recent [blog postings](#) on the topic.

	Grade	Score (out of 8)
 Steadyhand Investment Funds	A	8
Beutel, Goodman & Company	A	7.5
Capital International Asset Management	A	7.5
Chou Associates Management	A	7.5
Mawer Investment Management	A	7.5
Leith Wheeler Investment Counsel	B	6.5
TD Asset Management	B	6.5
Invesco Trimark	B	6
Manulife Mutual Funds	B	6
McLean Budden	B	6
Brandes Investment Partners	B	5.5
CI Investments	C	5
Mackenzie Financial	C	5
RBC Asset Management	C	5
BMO Investments	C	4.5
Dynamic Funds	C	4.5
Franklin Templeton Investments	C	4.5
Northwest & Ethical Investments	C	4.5
Scotia Asset Management	C	4.5
Standard Life Mutual Funds	C	4.5
CIBC Asset Management	C	4
Fidelity Investments Canada	C	4
AGF Management	C	3.5
Investors Group	C	3.5
Sceptre Investment Counsel	C	3.5
Sprott Asset Management	C	3.5
National Bank Securities	D	3

The Stewardship Grade is determined using some quantitative measures, but is primarily based on qualitative information gathered by Morningstar, Inc.'s fund analysts. It is intended solely for research/educational purposes and should not be viewed as a recommendation or offer for sale by Morningstar Research, Inc. The Stewardship Grade is not to be used as the sole basis for an investment decision and is subject to change.

Market Performance

Annualized Returns as of June 30, 2010

	3 M	YTD	1 YR	2 YR	3 YR	5 YR
DEX 91 Day T-Bill Index	0.1%	0.2%	0.3%	1.2%	2.1%	2.8%
DEX Universe Bond Index	2.9%	4.2%	6.9%	7.0%	6.9%	4.9%
S&P/TSX Composite Index	-5.5%	-2.5%	12.0%	-8.8%	-3.9%	5.5%
BMO Small Cap Blended Index	-5.7%	1.3%	39.1%	-1.7%	-5.1%	5.6%
S&P 500 Index (\$Cdn)	-7.1%	-5.2%	4.9%	-5.9%	-9.8%	-3.5%
MSCI World Index (\$Cdn)	-8.4%	-8.5%	1.0%	-9.7%	-11.4%	-2.7%

Required Disclosures

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The performance data provided for the Steadyhand Savings Fund assumes reinvestment of distributions only and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. The indicated rates of return for the funds other than the Savings Fund are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual fund securities are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the funds will be able to maintain their net asset value per security at a constant amount or that the full amount of your investment in the funds will be returned to you. Past performance may not be repeated.

Steadyhand Investment Funds Limited Partnership is the manager of the Steadyhand funds. Steadyhand Investment Funds Inc. (SIFI) is the principal distributor of the funds.

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