

Steadyhand

Q2 2015

“The place where we continue to find the best value is Japan ...
There are simply more cheap stocks there than there are anywhere
else right now.”

— Sandy Nairn, Edinburgh Partners (manager of the Steadyhand
Global Equity Fund)



Bradley's Brief



I was under the weather the last few days of the quarter and took the opportunity to watch some daytime business television. Certainly there was lots of good information delivered – discussion of current issues, interviews with company executives and money managers, and of course, Greece, Greece and Greece – but the pace, pitch and graphics take some getting used to.

I ran out of patience and energy for it pretty quickly, but it served as a great reminder of how different the networks' approach to investing is (and media in general) compared to what we do for clients. Here are a few of my observations from the couch:

- There's always noise in the market. With respect to the media, however, the emphasis is not always determined by how important an issue is, but rather by how much news there is on that day. Don't mistake volume or urgency for importance (for instance, the situation in Greece pales in comparison to what's happening in China every day).
- In the short term, market participants over-react to news, good and bad. Biz TV serves to exaggerate this *'shoot first and ask questions later'* approach.
- The U.S. version of business news is entertainment. All of it – the personalities, rapid-fire delivery and focus on trading. On the other hand, managing a portfolio that will provide a paycheck in retirement is serious business. It's definitely not as much fun and doesn't illicit the sound bites required to garner a television audience.
- Our investing approach is also longer term in nature, by let's say, 10-30 years, depending on the client.
- As Warren Buffett once said, "*Wall Street [and business television] makes its money on activity. You make your money on inactivity.*"

The managers of your money are well versed on the noise of the day, but are focused on the long-term fundamentals of the companies they own (or might one day own). Because they've spent time understanding the value of each company, they use

noise-induced market movements to buy/sell stocks when they temporarily move outside of their fair value range. Our fund managers won't always be right in their assessment of value (only time will tell) and the market moves may not all be temporary, but a repeatable trading discipline based on their valuation work pays off over time.

There are plenty of examples of our trading discipline in this report, especially since the second quarter was quite volatile.

While our managers do the heavy lifting in your portfolio, our advice to clients around portfolio construction continues to emphasize risk control as opposed to return enhancement. As I've said repeatedly over the last year, security valuations (expensive) and the economic backdrop (fragile) suggest that your portfolio have no more risk than your long-term plan calls for. In the Founders Fund, I'm taking less risk than usual.

The second quarter of 2015 was a momentous time for Steadyhandlers. We celebrated our 8th birthday in early April and hit the half billion market in client assets later in the month. As Scott so aptly put it in an infographic we published, [Thanks a \(Half\) Billion](#) to you and all our advocates for helping Steadyhand grow and thrive. We pinch ourselves every day at the quality of our client base.

As always, there's someone available to talk about your situation if you have a rainy day this summer and are forced to take on some less entertaining tasks, such as taking care of the last 30 years of your life.

Key Takeaways

Stocks

- Following a strong start to the year, stocks pulled back in the second quarter. The Canadian market (S&P/TSX Composite Index) declined 1.6%. Resource stocks continued to struggle, while the industrial and technology sectors were also weak.
- Foreign stocks in aggregate declined. The American market (S&P 500 Index) was flat in U.S. dollar terms, while most major European markets posted losses. Japan, on the other hand, was an area of strength. The Canadian dollar rose slightly against the U.S. dollar and Japanese Yen, and depreciated modestly against the Euro and British Pound. Overall, currency movements had little impact on returns in the quarter.

Market Returns

	3M	1Y
Canada	-1.6%	-1.2%
World	-1.2%	19.1%

Bonds

- The Canadian bond market (FTSE TMX Canada Universe Bond Index) had a negative quarter, dropping 1.7%, as mid- and longer-term bond yields rose (when yields rise, prices fall).
- The 10-year Government of Canada bond yield increased from 1.4% to 1.7%.
- Globally, interest rates also rose as investors focused on the prospects of a pick-up in economic growth.

	3M	1Y
Bonds	-1.7%	6.3%

Our Funds

- Our funds posted modest losses in the quarter with the exception of the Equity Fund, which was unchanged. Balanced clients experienced returns in the range of -1% to -2%, depending on their mix. Over our performance history (8 years), balanced clients have gained roughly 6% per year.
- Our positioning remains cautious. Our managers' focus is on higher-quality stocks and we're holding more cash than normal in the Founders Fund. Our foreign stock exposure continues to have a tilt towards Asia (notably Japan) and Europe, rather than the U.S., as our global manager is finding better value outside North America.
- In the context of our balanced portfolios, key transactions in the quarter included the purchase of COMMERZBANK (Germany), NTT (Japan) and CCL INDUSTRIES (Canada), and the sale of TOROMONT (Canada) and INTESA SANPAOLO (Italy).

Fund Returns

	3M	1Y
Savings	0.2%	1.0%
Income	-2.1%	4.6%
Founders	-1.0%	5.4%
Equity	0.0%	8.9%
Global	-0.6%	12.1%
Small-Cap	-1.4%	-14.8%

Our Advice to Clients

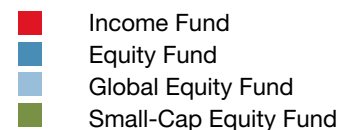
Stocks offer the best long-term return potential, but we remain cautious following a lengthy period of strong returns. We recommend that your equity weighting be no higher than your long-term target, as stocks are looking expensive. We continue to recommend a below-average position in bonds as current yields are unattractive, and a healthy cash holding. In the Founders Fund, for example, 19% of the portfolio is currently held in cash.

For our thoughts on asset mix and the advice we're giving clients, visit the [Current Outlook](#) page on our website, or give us a call at 1.888.888.3147.

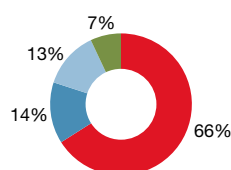


Steadyhand Portfolios (Hypothetical)*

Compound Annualized Returns (as of June 30, 2015)



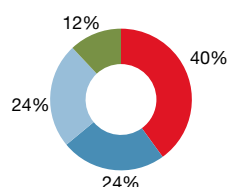
Balanced Income Portfolio (50/50)



Long-term asset mix:
Fixed Income – 50%
Cdn Equities – 30%
U.S. Equities – 10%
Overseas Equities – 10%

3M	YTD	1Y	2Y	3Y	5Y	8Y
-1.6%	3.5%	4.8%	10.5%	10.0%	9.6%	6.3%

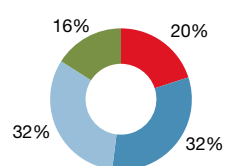
Balanced Equity Portfolio (70/30)



Long-term asset mix:
Fixed Income – 30%
Cdn Equities – 34%
U.S. Equities – 18%
Overseas Equities – 18%

3M	YTD	1Y	2Y	3Y	5Y	8Y
-1.2%	5.0%	4.9%	12.7%	12.7%	11.3%	5.9%

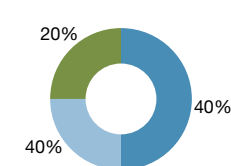
Growth Portfolio (85/15)



Long-term asset mix:
Fixed Income – 15%
Cdn Equities – 37%
U.S. Equities – 24%
Overseas Equities – 24%

3M	YTD	1Y	2Y	3Y	5Y	8Y
-0.8%	6.1%	5.0%	14.3%	14.8%	12.6%	5.5%

Aggressive Growth Portfolio (100/0)



Long-term asset mix:
Fixed Income – 0%
Cdn Equities – 40%
U.S. Equities – 30%
Overseas Equities – 30%

3M	YTD	1Y	2Y	3Y	5Y	8Y
-0.5%	7.3%	5.1%	15.9%	17.0%	13.9%	5.1%

Capital Market Performance (as of June 30, 2015)

	3M	YTD	1Y	2Y	3Y	5Y	8Y
Cash (FTSE TMX Canada 91 Day T-Bill Index)	0.2%	0.4%	0.9%	0.9%	0.9%	0.9%	1.4%
Cdn Bonds (FTSE TMX Canada Universe Bond Index)	-1.7%	2.4%	6.3%	5.8%	3.8%	5.1%	5.8%
Cdn Stocks (S&P/TSX Composite Index)	-1.6%	0.9%	-1.2%	12.8%	11.1%	8.3%	3.5%
Cdn Small Cap Stocks (BMO Small Cap Index)	0.9%	0.9%	-14.6%	7.8%	5.8%	5.5%	1.4%
U.S. Stocks (S&P 500 Index \$Cdn)	-1.4%	8.9%	25.5%	26.0%	25.5%	21.2%	8.5%
Global Stocks (MSCI World Index \$Cdn)	-1.2%	10.7%	19.1%	22.8%	22.9%	17.5%	5.9%

*The referenced portfolios are hypothetical portfolios comprised of Steadyhand funds. Each portfolio assumes that it is rebalanced on a quarterly basis to the target fund allocation. The indicated rates of return are the historical compound annualized returns (unaudited). See the back page of this report for performance disclaimers. For further details on the portfolios, visit steadyhand.com.



Founders Fund

Fund Overview

- The Founders Fund is a balanced mix of our fixed income and equity funds.
- It has a long-term asset mix target of 60% equities and 40% fixed income, although there's considerable scope to adjust these weightings.
- Tom Bradley manages the fund, and as such, it reflects his views on corporate fundamentals, valuations and asset mix.

Portfolio Specifics

- After a relatively brisk start to the year, the fund experienced its first negative quarter in three years. Four of the five underlying funds produced zero or negative returns, with the Savings Fund being the exception.
- The fund has been cautiously positioned for some time and this stance paid off. Our higher than usual position in the Savings Fund and cash held in the equity funds softened the blow from negative stock and bond returns.
- Equities make up 55% of the fund, which is below the fund's long-term target of 60%. The economic signals remain mixed, but the most reliable predictor of future returns, stock valuations, are flashing caution. A common refrain from our managers continues to be, "*there are no bargains out there.*"
- The fund's Canadian equity exposure (24%) is diversified across income-oriented securities (Income Fund), high-quality companies with growing dividends (Equity Fund), and smaller companies with higher growth profiles (Small-Cap Fund).
- On the foreign side (31%), the fund is heavily tilted toward Asian and European stocks, due primarily to the Global Fund's focus on these regions. This strategy has impacted returns (U.S. stocks have done better over the last three years), but is compelling due to the valuation gap between these regions and the U.S. Not only are price-to-earnings ratios lower, but the companies have more room to grow profit margins, especially with tailwinds building in the form of weaker currencies and lower energy costs.
- The 26% bond allocation continues to be well below the long-term target of 35%. Near-zero interest rates provide little in the way of yield and point toward low single-digit bond returns. Low rates also increase the risk of negative shocks which makes for an unattractive risk/reward trade-off.
- In lieu of full bond and stock allocations, the fund's cash reserve has been higher than normal. Between the Savings Fund and cash held in the equity funds, it finished the quarter at 19% of total assets. Cash and short-term securities offer little in the way of yield, but provide protection against rising interest rates and are a ready source of liquidity in volatile markets.

The fund was down 1.0% in the quarter. Since inception (Feb 2012), it has a cumulative return of 38%, which equates to an annualized return of 10.0%.

Fund Mix

Income	35%
Global	23%
Equity	20%
Savings	16%
Small-Cap	6%



Asset Mix



Foreign Stocks	31%
Canadian Stocks	24%
Corporate Bonds	17%
Gov't Bonds	9%
Cash & Short-term	19%

Fund size \$222,418,415

Positioning

- Refer to pages 7-15 for details on the underlying funds.



Founders Fund

Attributes

Top Stock Holdings (% of Fund)

TD Bank	1.8%
Novartis	1.4%
Loblaw Companies	1.2%
Suncor Energy	1.2%
CVS Health	1.1%
CN Rail	1.1%
Visa	1.0%
Franco-Nevada	1.0%
PrairieSky Royalty	0.9%
Starbucks	0.9%

Sector Allocation (Stocks)

Financial Services	23.8%
Industrial Goods & Svc	20.8%
Oil & Gas	12.5%
Healthcare	7.2%
Retailing	6.7%
Consumer Cyclical	5.6%
Technology	5.2%
Basic Materials	4.4%
Comm. & Media	4.2%
Real Estate	4.2%
Consumer Products	3.6%
Utilities & Pipelines	1.8%

Asset Mix

Long-term		Current
12.5%	Overseas Stocks	22%
12.5%	U.S. Stocks	9%
35%	Canadian Stocks	24%
35%	Bonds	26%
5%	Cash	19%

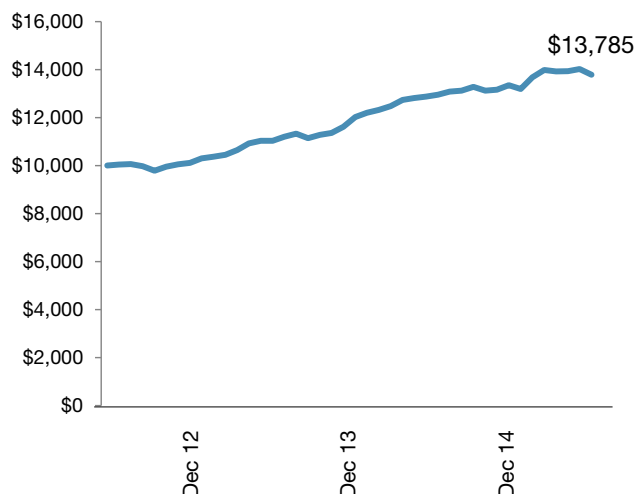
Performance

Compound Annualized Returns (as of June 30, 2015)

	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Founders Fund	-1.0%	4.5%	5.4%	11.2%	11.5%	N/A	N/A	10.0%
FTSE TMX Canada Universe Bond Index	-1.7%	2.4%	6.3%	5.8%	3.8%	N/A	N/A	4.0%
S&P/TSX Composite Index	-1.6%	0.9%	-1.2%	12.8%	11.1%	N/A	N/A	7.9%
MSCI World Index (\$Cdn)	-1.2%	10.7%	19.1%	22.8%	22.9%	N/A	N/A	20.0%

*Feb 17, 2012

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Income Fund

Market Context

- The Canadian bond market had a negative quarter, falling 1.7% on the back of rising longer-term interest rates. The 10-year Government of Canada bond yield rose from 1.4% to 1.7% over the quarter, which is a big move in a low interest rate environment.
- The Canadian stock market was down 1.6% in the quarter, as industrial, technology and resource stocks had a weak spring.

Portfolio Specifics

- Bonds comprise 73% of the fund. This portion of the portfolio was hurt by rising yields in mid- and longer-term bonds (as a reminder, when yields rise, bond prices fall). While the fund's long-term results have benefited from the manager's (Connor, Clark & Lunn) bias towards bonds with 7-10 year maturities, these securities in particular struggled as mid-term yields rose more than both short and long-term yields.
- Emphasis remains on corporate bonds. Central banks continue to pursue highly stimulative conditions (i.e. low short-term interest rates), which is supportive of these securities. CC&L continues to be selective in the sector, with an emphasis on bonds issued by banks and insurance companies.
- The manager continued to build the fund's position in high yield bonds over the quarter, with a focus on well established companies (e.g. GE CAPITAL, AVIS BUDGET CAR RENTAL, MORGAN STANLEY). CC&L continues to avoid the energy sector, but are not averse to it altogether if valuations become more compelling. High yield bonds now comprise 8% of the fund and offer a yield of 6.7%.
- The fund's equity holdings (27% of the portfolio) were also down in the quarter. The manager, however, took advantage of weaker stock prices by adding to the portfolio's energy exposure. BONAVISTA, VERMILION, KEYERA and pipeline operator ENBRIDGE were all purchased.
- A key theme in the fund's equity strategy is exposure to companies that are benefiting from U.S. economic growth and avoiding businesses with highly leveraged balance sheets.
- The fund paid a distribution of \$0.07/unit at the end of June.

Positioning

- The manager expects that interest rates overall will remain low and rates in Canada may even move lower due to strong international demand for Canada's high quality debt products. CC&L continues to believe that the most favourable risk/reward opportunities are in bonds with mid-term maturities. Emphasis remains on corporate and provincial bonds.
- Stocks make up more than one-quarter of the portfolio and high yield bonds make up 8%, as they both remain attractive relative to government bonds.

The fund was down 2.1% in the quarter. Since inception (Feb 2007), it has a cumulative return of 70%, which equates to an annualized return of 6.6%.

Stock Transactions

Buy

Bonavista Energy*
Vermilion Energy*
Keyera Corp.*

Sell

Baytex Energy
Chartwell Retirement Res.
Russel Metals

*New Holding

Fund size	\$98,699,303
Pre-fee Yield	3.0%
Avg Term to Maturity	8.7 yrs
Duration	6.8 yrs



Income Fund

Attributes

Top Holdings (% of Fund)

CC&L High Yield Bond Fd	8.1%
Ontario 5.60% (06/02/35)	3.7%
BMO 3.40% (06/02/37)	3.0%
CHT 2.40% (12/15/22)	3.0%
Ontario 4.00% (06/02/21)	2.7%
Quebec 3.00% (09/01/23)	2.4%
BNS 3.27% (01/11/21)	2.2%
TD Bank	1.9%
Ontario 4.70% (06/02/37)	1.8%
Royal Bank	1.8%

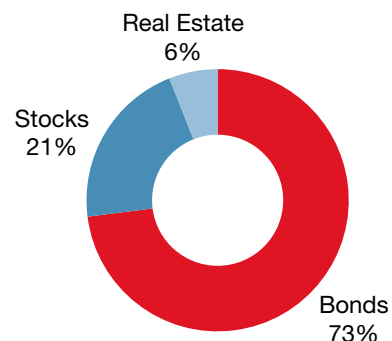
Issuer Allocation (Bonds)

Federal Gov't Bonds	8.4%
Provincial Gov't Bonds	27.4%
Corporate Bonds	64.2%

Rating Summary (Bonds)

AAA	14.1%
AA	40.9%
A	23.3%
BBB	12.4%
BB (or lower)	9.3%

Asset Mix



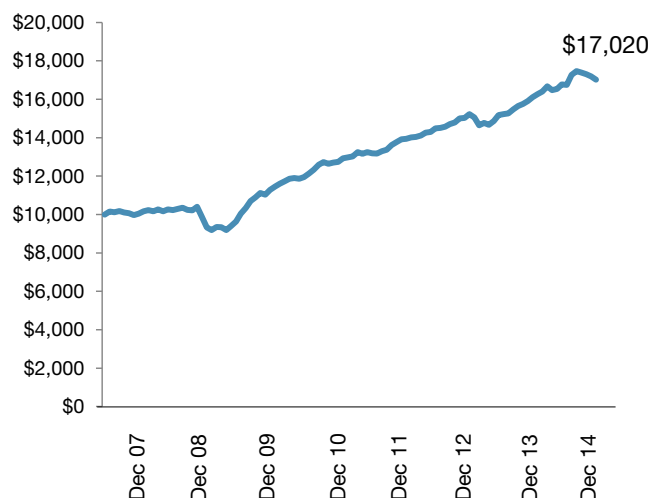
Performance

Compound Annualized Returns (as of June 30, 2015)

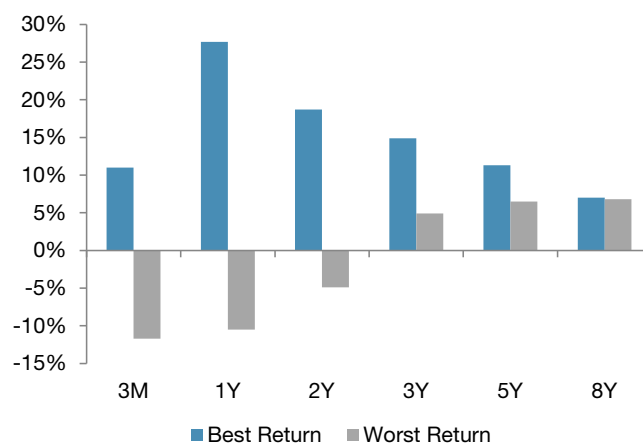
	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Income Fund	-2.1%	1.6%	4.6%	7.8%	6.5%	7.3%	6.8%	6.6%
FTSE TMX Canada Universe Bond Index	-1.7%	2.4%	6.3%	5.8%	3.8%	5.1%	5.8%	5.4%
S&P/TSX Composite Index	-1.6%	0.9%	-1.2%	12.8%	11.1%	8.3%	3.5%	4.3%

*Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Equity Fund

Market Context

- The Canadian stock market (S&P/TSX Composite Index) fell 1.6% in the quarter. Resource, industrial and technology stocks held back the market, while healthcare and telecom stocks were areas of strength.
- The MSCI World Index was up down 1.2% in Canadian dollar terms.

Portfolio Specifics

- The fund holds 25 stocks, of which 52% are headquartered in Canada, 26% in the U.S., 18% overseas and 4% in Mexico.
- The themes in the portfolio remain unchanged: (1) a focus on higher-quality companies with strong market positions (TD BANK, NOVARTIS, CCL INDUSTRIES), (2) leading consumer-focused businesses (LOBLAW, UNILEVER, CVS HEALTH, STARBUCKS), and (3) companies with a far-reaching geographic footprint that generate significant revenues outside Canada.
- The manager, CGOV Asset Management, is cautious in their outlook. They are avoiding businesses with too much debt and focusing on companies that have some consistency in their revenues and a good track record of watching costs.
- The fund's weakest performer in the quarter was CN RAIL (down 15%). The company's revenues related to transporting oil have fallen, which has some investors concerned. CGOV believes that CN is a solid company with the best management team in the business. Additional shares were purchased on the weakness in the stock.
- Turnover was low in the quarter, with one stock added to the portfolio and one sold. CCL INDUSTRIES, purchased in June, is a Toronto-based specialty packaging company that the manager knows well. The company is one of the largest players in a fragmented market and has a blue chip clientele. TOROMONT INDUSTRIES was sold. TOROMONT has been a strong performer, but the manager feels its potential downside now outweighs its upside.
- The fund currently has a cash position of 3%.

The fund was unchanged in the quarter (0.0%). Since inception (Feb 2007), it has a cumulative return of 67%, which equates to an annualized return of 6.3%.

Transactions

Buy
CCL Industries*
CN Rail
Franco-Nevada

Sell
Toromont Industries
Starbucks

*New Holding

Positioning

- The portfolio remains a concentrated collection of first-rate companies of various sizes across a range of industries. Industrial, consumer, financial services and resource companies continue to be key areas of investment.
- Foreign stocks make up half of the portfolio, providing exposure to global brands and consumer activity.
- From a revenue standpoint, the companies in the fund generate roughly one-third of their revenues in Canada, one-third in the U.S., and one-third internationally.

Fund size	\$68,858,319
No. of stocks	25



Equity Fund

Attributes

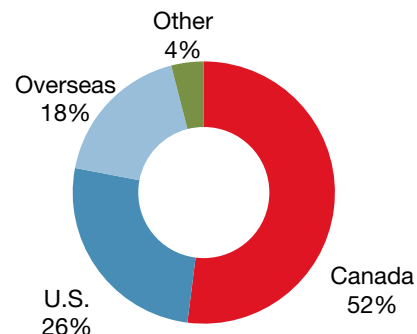
Top Stock Holdings

TD Bank	5.9%
Suncor Energy	5.8%
CVS Health	5.4%
Visa	4.7%
Franco-Nevada	4.7%
Starbucks	4.3%
PrairieSky Royalty	4.3%
Ecolab	4.2%
CN Rail	4.1%
Novozymes	4.1%

Sector Allocation (Stocks)

Industrial Goods & Svc	24.2%
Financial Services	21.7%
Retailing	17.0%
Oil & Gas	17.0%
Basic Materials	9.2%
Consumer Products	7.0%
Healthcare	3.9%

Geographic Profile (Stocks)



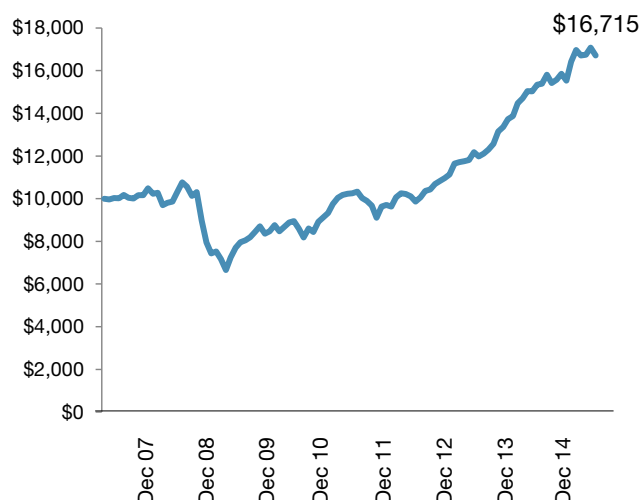
Performance

Compound Annualized Returns (as of June 30, 2015)

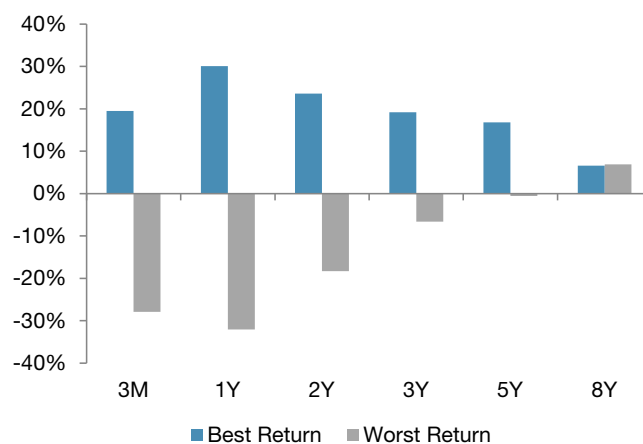
	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Equity Fund	0.0%	7.6%	8.9%	18.1%	18.4%	15.4%	6.6%	6.3%
S&P/TSX Composite Index	-1.6%	0.9%	-1.2%	12.8%	11.1%	8.3%	3.5%	4.3%
MSCI World Index (\$Cdn)	-1.2%	10.7%	19.1%	22.8%	22.9%	17.5%	5.9%	5.3%

*Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Global Equity Fund

Market Context

- Global stock markets cooled off in the second quarter after a strong start to the year. The MSCI World Index fell 1.2% in Canadian dollar terms. Investor anxiety was heightened late in the quarter as Greece's debt situation unfolded.
- The Japanese market was an area of strength in the quarter and has been a leading market so far in 2015.

Portfolio Specifics

- The fund holds 40 stocks across 12 countries. Asian stocks make up 49% of the fund, while Europe (including the U.K.) accounts for 36% and the U.S. 15%.
- Europe dominated the headlines in the quarter, with Greece's debt situation front and centre. It's been a story of two steps forward, one step back for the continent. While political risks remain, investor confidence is returning to the region. Many stocks are more attractively valued than their American counterparts, and the manager continues to find value in the healthcare sector (NOVARTIS, ROCHE, BAYER) and banks (BNP PARIBAS, COMMERZBANK, HSBC).
- Japanese stocks had a strong start to the year. They continue to make up the largest part of the fund (33%). Companies are benefiting from a weaker currency and lower energy prices. As well, structural reforms (government and corporate) have been effective in helping to boost the economy. Areas of focus in the fund include exporters (TOYOTA, PANASONIC, TOSHIBA) and financial services (SUMITOMO MITSUI, NOMURA).
- From an industry perspective, financial services stocks make up the largest portion of the portfolio (26%), with Asia being an area of focus. The manager, Edinburgh Partners Ltd., favours the long-term operating outlook for banks in the region, as consumers and businesses will benefit further from economic growth and rely more heavily on "good old-fashioned" banking products (e.g. loans and credit products). Holdings include BANK MANDIRI, BANGKOK BANK, DBS GROUP, and SUMITOMO MITSUI.
- A few stocks were sold as they were looking expensive: HEINEKEN and FRESenius MEDICAL CARE have both been stable growing, strong performing companies, but EPL feels their future prospects are now fully reflected in their share prices. INTESA SANPAOLO and YAMAHA MOTOR have also been excellent performers and were sold based on valuation. Purchases included BP, COMMERZBANK and PERKINELMER.
- The fund currently has a cash position of 8%.

The fund was down 0.6% in the quarter. Since inception (Feb 2007), it has a cumulative return of 21%, which equates to an annualized return of 2.3%.

Transactions

Buy

BP (British Petroleum)*
Commerzbank*
PerkinElmer*
Nippon Telg. & Tel.* (NTT)

Sell

Heineken
Fresenius Medical Care
Intesa Sanpaolo
Yamaha Motor

*New Holding

Positioning

- The fund has had a strong start to 2015 and the manager is taking an increasingly cautious approach. Profits have been taken in holdings that have grown expensive, and investments remain focused in Asia and Europe, where EPL is finding cheaper stocks.
- The portfolio continues to have only modest exposure to the U.S. (15%) as valuations are not as appealing.

Fund size	\$61,550,640
No. of stocks	40



Global Equity Fund

Attributes

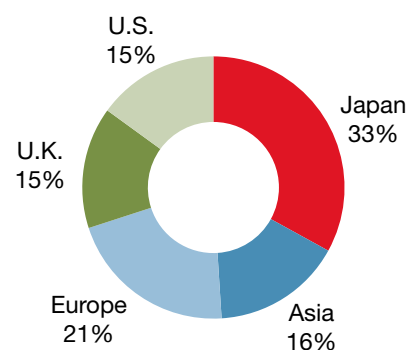
Top Stock Holdings

Sumitomo Mitsui Trust	3.1%
BG Group	3.0%
Novartis	3.0%
Sumitomo Mitsui Fin'l	2.9%
Roche	2.8%
Swire Pacific	2.8%
Japan Tobacco	2.7%
Nomura Holdings	2.7%
Post NL	2.6%
East Japan Railway	2.6%

Sector Allocation (Stocks)

Financial Services	26.3%
Industrial Goods & Svc	20.0%
Consumer Cyclical	15.0%
Healthcare	13.6%
Comm. & Media	8.0%
Oil & Gas	7.8%
Technology	6.3%
Consumer Products	3.0%

Geographic Profile (Stocks)



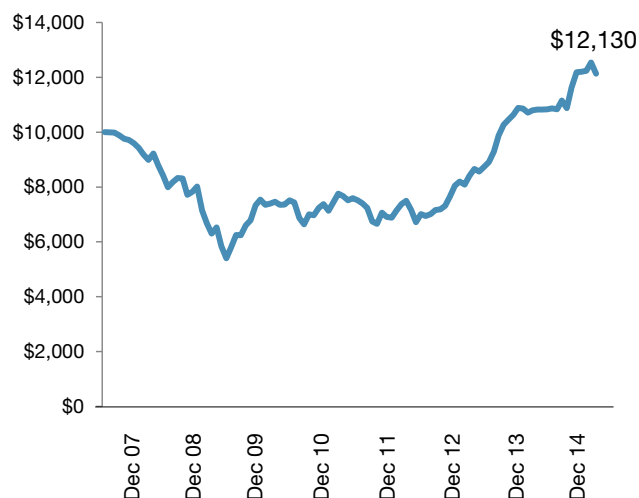
Performance

Compound Annualized Returns (as of June 30, 2015)

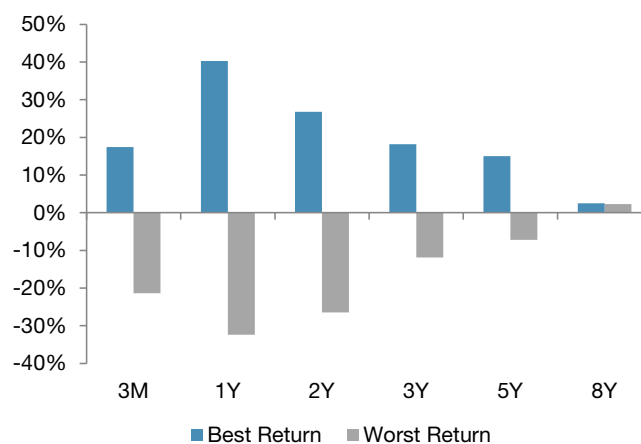
	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Global Equity Fund	-0.6%	11.6%	12.1%	19.1%	20.0%	12.8%	2.8%	2.3%
MSCI World Index (\$Cdn)	-1.2%	10.7%	19.1%	22.8%	22.9%	17.5%	5.9%	5.3%

*Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Small-Cap Equity Fund

Market Context

- The Canadian small-cap market (BMO Small Cap Index) gained 0.9% in the quarter.
- Resource stocks halted their slide and the gold sector gained ground, while the technology and financial sectors were areas of weakness.

Portfolio Specifics

- The fund holds 17 stocks, with market capitalizations ranging from \$50 million (ARSENAL ENERGY) to over \$3 billion (MACDONALD DETTWILER). Twelve of the 17 holdings are under \$1 billion. Fifteen are Canadian and two are American.
- The fund has had a weak year so far, and has struggled to gain ground over the past 15 months. The key reason is that the resource sector has a lot of negative sentiment overhanging it and commodity stocks have suffered. Roughly one-third of the portfolio is invested in the sector.
- Many energy holdings are unloved (ARSENAL ENERGY, TRANSGLOBE ENERGY, GRAN TIERRA ENERGY). While it's disconcerting for short-term performance, the manager, Wil Wutherich, is not scathed by this type of environment. Indeed, it's often when opportunities are uncovered. Wil continues to feel good about the composition of the portfolio and the financial health of the companies in it.
- Two holdings outside the resource sector that suffered from a weaker share price in the quarter were MEDICAL FACILITIES and DIRECTCASH PAYMENTS. Both companies are well financed and run by capable, motivated management teams. Additional shares were purchased in both.
- On the brighter side, one of the fund's largest holdings, STANTEC, continues to turn in good numbers and has been delivering on all fronts. The fund has owned the stock for seven years.
- Another long-standing holding, MACDONALD DETTWILER, was trimmed. The company continues to execute well, but the stock is looking a little expensive.
- No stocks were removed from the portfolio in the quarter.
- The fund currently has a cash position of 10%.

Positioning

- The fund is operating in a challenging environment, but the manager is remaining disciplined to his process. Only one stock has been sold this year, and additional shares have been purchased in companies that have seen their stock price fall but still have strong fundamentals.
- The portfolio remains concentrated in a diverse group of businesses in the industrial, energy and technology sectors.

The fund was down 1.4% in the quarter. Since inception (Feb 2007), it has a cumulative return of 85%, which equates to an annualized return of 7.6%.

Transactions

Buy

Medical Facilities
DirectCash Payments
New Gold

Sell

MacDonald Dettwiler

Fund size	\$46,549,497
No. of stocks	17



Small-Cap Equity Fund

Attributes

Top Stock Holdings*

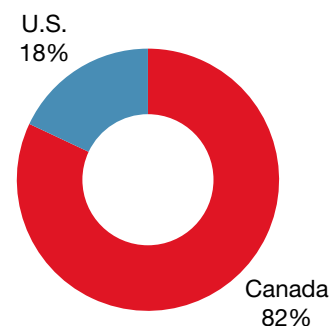
CBIZ	8.5%
MacDonald Dettwiler	8.0%
Pure Technologies	6.9%
Stantec	6.4%
Hibbett Sports	6.3%
ZCL Composites	6.0%
Total Energy Services	5.4%
Medical Facilities	5.3%
DirectCash Payments	5.3%
Primero Mining	5.2%

*As of Apr 30

Sector Allocation (Stocks)

Industrial Goods & Svc	33.2%
Oil & Gas	21.5%
Technology	13.7%
Basic Materials	11.2%
Retailing	7.6%
Healthcare	6.9%
Financial Services	5.9%

Geographic Profile (Stocks)



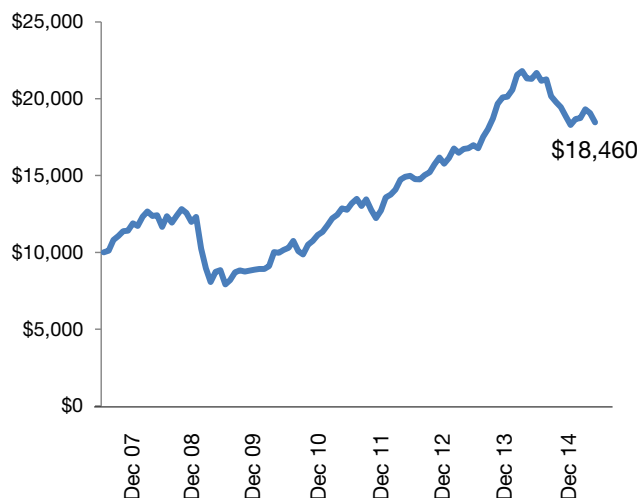
Performance

Compound Annualized Returns (as of June 30, 2015)

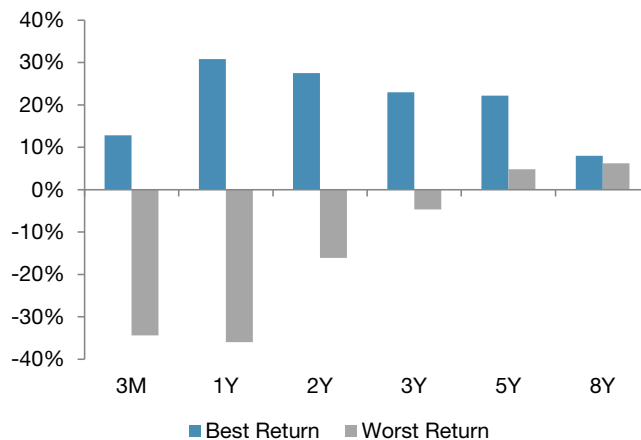
	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Small-Cap Equity Fund	-1.4%	-2.0%	-14.8%	4.9%	7.8%	13.4%	6.2%	7.6%
BMO Small Cap Index	0.9%	0.9%	-14.6%	7.8%	5.8%	5.5%	1.4%	2.4%

*Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Savings Fund

Market Context

- The Bank of Canada kept its key lending rate at 0.75% in the quarter.
- After cutting its short-term rate early in the year, the central bank feels the current amount of monetary stimulus remains appropriate, as in its words, “risks to financial stability remain elevated, but appear to be evolving as expected.”

Positioning

- There were few changes to the positioning of the fund. The manager, Connor, Clark & Lunn, continues to favour shorter-term bankers’ acceptance notes and corporate notes. These securities make up 70% of the fund.
- Government notes make up 30% of the portfolio. CC&L currently has this portion of the fund invested primarily in Provincial T-Bills and notes, as they feel these securities are more attractive than Government of Canada notes.
- The pre-fee yield of the fund at the end of June was 0.9%.

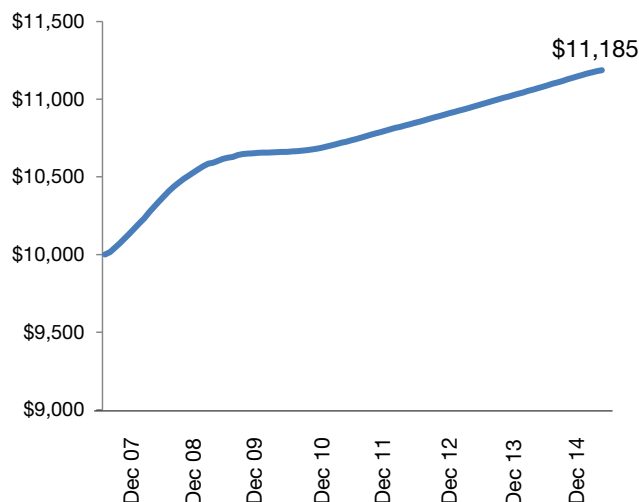
Performance

Compound Annualized Returns (as of June 30, 2015)

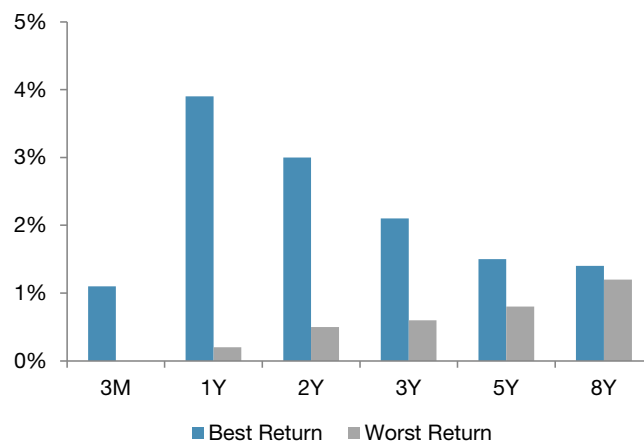
	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Savings Fund	0.2%	0.5%	1.0%	1.0%	1.0%	0.9%	1.2%	1.3%
FTSE TMX Canada 91 Day T-Bill Index	0.2%	0.4%	0.9%	0.9%	0.9%	0.9%	1.4%	1.5%

*Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Stock Snapshot

SCREEN

Overview

Dainippon Screen Manufacturing Co. Ltd. (“Screen Holdings”) is a Japanese technology company that builds highly specialized equipment needed to manufacture other high-tech products. It has three primary divisions (semiconductors, printing, and flat panel displays) and is a market leader in many of the pieces of equipment it makes.

The bulk of Screen’s sales come from its semiconductor equipment division. A semiconductor is material used in electrical circuits to control the flow of current and is vital to make the microchips for your phone, laptop, and microwave oven. This division generates about 70% of the company’s sales and has either the highest or second highest market share in most of its products.

The printing equipment division generates about 20% of sales, while the flat panel display division generates roughly 10%. Screen’s printing equipment is needed in large-scale printing operations and its flat panel equipment is used in making TVs and monitors.

The stock is held in our Global Equity Fund (2.3% position size). It was purchased in late 2013.

Investment Case

The semiconductor industry is highly cyclical. Profitability tends to ebb and flow with demand for underlying products like cell phones and computers. Demand for these consumer products grows when times are good, but drops when they are tough.

The company has been in the low part of the cycle recently. Even with its dominant position in much of the equipment it produces, Screen has been profitable in only three of the last six years. This cyclical nature creates investment opportunities for patient investors able to

see through the short-term vagaries of the business. The investment case rests largely on a recovery in the semiconductor equipment market and a rebound in profit margins from depressed levels, which the manager of the fund (Edinburgh Partners Ltd.) believes is on the horizon.

In the near term, Screen stands to gain in particular from potential growth in its photoresist equipment business (used in semiconductor manufacturing). This is a \$1.6 billion market that the company is just beginning to penetrate and is making some good headway. It recently won a key order from a major semiconductor company, which was an important stamp of approval for Screen’s equipment.

Risks to Outlook

The main risk to Screen’s revenue growth comes from a delayed upswing in the market for semiconductors and equipment. This may cause a continuation of the pricing squeeze the industry has recently faced.

An interesting fact: Dainippon Screen Manufacturing Co. Ltd. started off as a printing company in 1868. It later expanded into printing equipment and eventually semiconductor equipment.

Screen Holdings: Price History



Source: Reuters

From the Blog: Let's Not Toss Valuations Out the Window

Published May 13th

Special to the Globe and Mail

By Tom Bradley

There's a new acronym making the rounds. TINA refers to stocks and is short for "there is no alternative." You've got to buy them because nothing else is any good. Stock valuations may not be great (even poor in the eyes of some analysts, including myself), but the outlook for bonds is worse and cash earns nothing. So, stocks are it.

For me, this is the most difficult stage in the market cycle. When I hear TINA-like justifications for buying an asset, I get especially uncomfortable. It invariably means that valuations are poor and investors are stretching. I harken back to the technology boom in the late '90s and the commodity super cycle five years ago. Both were periods when valuations were tossed out the window.

My team and I are paid to invest our clients' money for the long-term but, at current prices, future returns look to be modest. Markets and valuations have risen and as a result, my expectation for stock market returns over the next five years has come down from double-digit in 2009 to 4% to 6% per year currently. This range is still well above the potential for bonds, but we have to remember that 4% to 6% is uncertain, while the jolts and volatility that go with it are ever so certain.

Stocks should never be a default choice (i.e. TINA). If the valuation doesn't work, you're simply buying with the expectation that someone else will pay you a higher price at a future date. While this can work for long stretches of time, it becomes more challenging when markets hit a soft spot. It's then that you'll need to have a clear understanding of value, because a decision will be required. Do you hold on, buy more, or sell and take a hit? If you bought something based on the hope that it would go up, you're not left with much to lean on when it goes down.

With bonds and stocks looking expensive, the question needs to be asked – what about cash? Well, if I were going to write a sales brochure for GICs and short-term notes (no

one has asked), it would emphasize the following points.

- Yield: less than inflation.
- Return pattern: opposite of bonds. Will be a hero when interest rates rise. A disappointment when rates fall.
- Upside potential: limited, but real yields (after inflation) could increase, either because yields go up and/or inflation goes down.
- Flexible: available at a moment's notice.
- Risk: highly manipulated by central banks.

The brochure isn't overly compelling, but at a time when cash is being dismissed out of hand, the asset class is actually more competitive than usual – bond yields are also near zero and stocks offer low single-digit returns. It's not such a bad thing to have some cash set aside for a rainy day.

I say this without any divine insight as to what's ahead in the near term. I do know, however, we're participating in a grand economic experiment. Debt continues to grow unabated. Interest rates are at crisis-like levels five years into an economic recovery. And central bankers are more focused on short-term growth than long-term stability.

Needless to say, the capital markets are confused. The bond market is telling us the world economy is fragile and can't sustain itself without free money. The stock market is more optimistic and is expecting continued revenue growth and improving profit margins. The tech sector is downright euphoric, with valuations rivaling the late 1990s.

As always, it's a time to be broadly diversified. In the Steadyhand Founders Fund, there is a lighter than usual dose of stocks (all sizes, industries and geographies), a minimum allocation to bonds, and a healthy wad of cash under the mattress (18% of the fund).

We want to own businesses at prices that make sense in the context of their long-term prospects. If we can't find enough of them, we do have an alternative. Unfortunately, I'm not creative enough to come up with an acronym for diversified, price-conscious, liquid and patient. Call it prepared.

Steadyhand



Thanks a (Half) Billion!

Thanks to all our clients for helping us reach an important milestone this quarter, \$500 million in assets under management. You're the best.

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 Management Ltd. is the manager of the Steadyhand funds.
Steadyhand Investment Funds Inc. (SIFI) is the principal distributor of the funds.

Published on July 8, 2015, by Steadyhand Investment Funds Inc.

steadyhand.com

1.888.888.3147

1747 West 3rd Avenue
Vancouver, BC V6J 1K7

