

Steadyhand

Q3
2015

“As always, we have no idea where the markets are going in the short to medium term, but the backdrop is better, values have improved and expected returns are higher.”

— Tom Bradley (The Globe and Mail, September 23rd)



Bradley's Brief



After two quarters of negative returns, with lots of excitement in the most recent one, I would expect to see a wide range of reaction from our clients.

The retirees, who are drawing from their portfolio, could not be blamed for feeling uneasy, maybe even concerned.

Their capital has been reduced and they're having to draw down their spending reserve. It's not so much the damage that's been done, however - conservative Steadyhand portfolios are up modestly for the year - as much as what might be coming (another 2008?).

On the other hand, clients who are in the building phase, the 'accumulators' as we call them, should be ecstatic, bouncing off the ceiling excited ... even drooling. They won't be drawing on their portfolio for a number of years and are in acquisition mode. Just like other major purchases including houses and cars, it's great to see 'Sale' signs. The lower the price the better.

I'm being somewhat tongue-and-cheek here because the reality is, almost all our clients are feeling like the first group - nervous, hyper and in some cases, unhappy. But why is it that the accumulators aren't smiling? I can think of a few reasons.

- All the news is negative and it's hard to keep an even keel.
- There's a possibility of further markdowns to come. The 'Sale' could get even better.
- During a market dip, there's no reinforcement that the investment plan is the right one because short-term measures don't match up with long-term goals.

I could add others to the list, but it's more important to review why accumulators should be ecstatic, not upset.

- Stocks have provided healthy, above-inflation returns throughout the existence of mankind, including the last 10, 20 and 30 years.
- It's totally uncertain when returns will come, but

invariably, weak periods are followed by strong ones. Investors who buy when prices are down have consistently been rewarded.

- And oversized returns come when security valuations reflect nothing but bad news.

We're going through a rough patch right now. Volatility is up, portfolio values are down and the news is mostly bad: China slowing, commodity prices plummeting and central bankers maintaining crisis-level interest rates. But as investors, we have to maintain some perspective.

Balanced portfolios are up for the year, and the investing backdrop has improved meaningfully. For stocks, price-to-earnings multiples have moved closer to their historical averages and our fund managers are again finding securities that are attractively priced. For fixed income, the reward for owning riskier corporate bonds (extra yield) has increased. And importantly, investors in general are less optimistic, both towards the stock market and economy, which is a good thing. Low expectations are an excellent foundation for future returns.

As you will read in the following pages, we've made some changes since last quarter. Our fund managers have done some buying and late in the quarter, we materially increased the stock weighting in the Founders Fund.

At Steadyhand, it's a time when we need to do our best work (and why we chose our name). If you have questions or concerns, or are bouncing off the ceiling, don't hesitate to call. Chris, Lori, Scott, David and I would be happy to discuss your portfolio and make sure it still fits with your long-term plan.

Key Takeaways

Stocks

- Stocks had a rough quarter, marked by increased volatility amid concerns surrounding China's slowing economic growth. The Canadian market (S&P/TSX Composite Index) returned -7.9% as energy and mining stocks continued to struggle.
- Foreign stock markets fell across the board, with Asian and emerging markets posting the biggest losses. The American market (S&P 500 Index) was down 6.4% in U.S. dollars, while Japan and many Asian markets suffered double-digit declines. For Canadian investors, losses were mitigated by a weaker loonie. Our dollar fell 7% against both the U.S. dollar and Euro, and 9% against the Japanese Yen.

Market Returns

	3M	1Y
Canada	-7.9%	-8.4%
World	-1.6%	14.0%

Bonds

- Globally, interest rates fell as investors fled to the safety of bonds, despite their exceptionally low yields.
- The 10-year Government of Canada bond yield declined from 1.7% to 1.5%.
- The Canadian bond market (FTSE TMX Canada Universe Bond Index) had a flat quarter, providing a return of 0.1%. Government bond yields fell (when yields fall, prices rise), but corporate yields rose, which limited the market's rise.

	3M	1Y
Bonds	0.1%	5.3%

Our Funds

- Our funds declined in the quarter. While the Equity Fund held up well, the Small-Cap Fund was hit hard by the weakness in the resource sector, and the Global Fund's significant exposure to Asia weighed on its return. Balanced clients experienced returns in the range of -3% to -4%, depending on their mix. Over our performance history (8 years), balanced clients have gained roughly 5-6% per year.
- While our positioning remains cautious, we took advantage of the volatility in the quarter to add to certain stocks, and increased our overall equity weighting in the Founders Fund. Our foreign stock exposure continues to have a tilt towards Asia and Europe, 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 WESTSHORE TERMINALS (Canada), HARMAN (U.S.) and SK HYNIX (South Korea), and the sale of TEREX (U.S.) and DAIRY FARM INTERNATIONAL (Hong Kong).

Fund Returns

	3M	1Y
Savings	0.2%	0.9%
Income	-1.3%	1.9%
Founders	-3.0%	1.8%
Equity	-0.3%	8.0%
Global	-7.3%	3.5%
Small-Cap	-14.7%	-21.9%

Our Advice to Clients

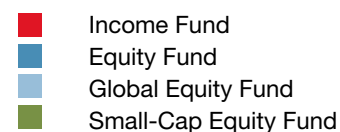
Stocks are looking more attractive after a pullback in the summer, and we did some buying in the funds. We recommend that your equity weighting be close to your long-term target. We continue to recommend a below-average position in bonds as current yields are unattractive. As a result, we recommend a healthy cash holding. In the Founders Fund, for example, 14% 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.

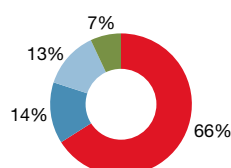


Steadyhand Portfolios (Hypothetical)*

Compound Annualized Returns (as of September 30, 2015)



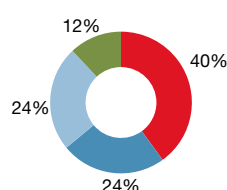
Balanced Income Portfolio (50/50)



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

3M	YTD	1Y	2Y	3Y	5Y	8Y
-2.9%	0.5%	1.2%	7.0%	7.7%	7.6%	5.8%

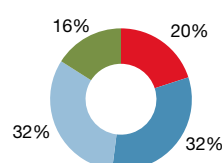
Balanced Equity Portfolio (70/30)



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

3M	YTD	1Y	2Y	3Y	5Y	8Y
-4.1%	0.7%	0.7%	7.5%	9.8%	8.8%	5.3%

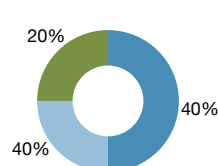
Growth Portfolio (85/15)



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

3M	YTD	1Y	2Y	3Y	5Y	8Y
-5.1%	0.8%	0.3%	7.9%	11.3%	9.7%	4.8%

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
-6.0%	0.8%	-0.2%	8.3%	12.9%	10.6%	4.3%

Capital Market Performance (as of September 30, 2015)

	3M	YTD	1Y	2Y	3Y	5Y	8Y
Cash (FTSE TMX Canada 91 Day T-Bill Index)	0.2%	0.5%	0.8%	0.8%	0.9%	0.9%	1.3%
Cdn Bonds (FTSE TMX Canada Universe Bond Index)	0.1%	2.5%	5.3%	5.8%	3.4%	4.4%	5.5%
Cdn Stocks (S&P/TSX Composite Index)	-7.9%	-7.0%	-8.4%	5.0%	5.7%	4.5%	2.2%
Cdn Small Cap Stocks (BMO Small Cap Index)	-14.7%	-13.9%	-20.2%	-4.1%	-2.9%	-0.5%	0.2%
U.S. Stocks (S&P 500 Index \$Cdn)	0.5%	9.4%	18.8%	24.5%	24.6%	19.5%	9.1%
Global Stocks (MSCI World Index \$Cdn)	-1.6%	9.0%	14.0%	18.4%	21.0%	14.8%	6.2%

*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 valuations, corporate fundamentals, and asset mix.

Portfolio Specifics

- The fund has been cautiously positioned for some time and this stance paid off in the quarter. Our higher-than-usual position in the Savings Fund softened the blow in a poor quarter for stocks and bonds.
- With stock markets in decline and valuations moving back to more reasonable levels, we made some changes to the fund's mix. Specifically, we increased the stock weighting from 55% at the beginning of the quarter to 61%.
- Canadian stocks have struggled over the last year due to lower commodity prices and uncertainty about the economy. A weak currency, however, could prove to be a tailwind for many Canadian stocks going forward. This, combined with reasonable valuations, is starting to make Canada look more attractive. The fund's Canadian equity exposure edged up in the quarter to 28% and includes a mix of 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 (33%), the fund is heavily tilted towards Asian and European stocks, due primarily to the Global Fund's focus on these regions. This strategy has negatively impacted returns (U.S. stocks have done better over the last five 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 lower commodity costs. Japan is an example of where this is playing out today.
- We have long been of the view that near-zero interest rates are unsustainable. As a consequence, the fund's bond allocation (25%) continues to be well below the long-term target of 35%.
- While some of the fund's cash was used to increase the allocation to stocks, the cash position remains higher than normal. Between the Savings Fund and cash held in the equity funds, it finished the quarter at 14% 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.

Positioning

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

The fund was down 3.0% in the quarter. Since inception (Feb 2012), it has a cumulative return of 34%, which equates to an annualized return of 8.4%.

Fund Mix

Income	35%
Equity	25%
Global	22%
Savings	11%
Small-Cap	7%



Asset Mix



Foreign Stocks	33%
Canadian Stocks	28%
Corporate Bonds	16%
Gov't Bonds	9%
Cash & Short-term	14%

Fund size \$227,470,599



Founders Fund

Attributes

Top Stock Holdings (% of Fund)

TD Bank	2.1%
Novartis	1.7%
Suncor Energy	1.5%
Loblaw Companies	1.4%
CN Rail	1.3%
CVS Health	1.3%
Visa	1.2%
Franco-Nevada	1.1%
Novozymes	1.1%
Ecolab	1.0%

Sector Allocation (Stocks)

Financial Services	22.6%
Industrial Goods & Svc	21.9%
Oil & Gas	12.1%
Healthcare	7.6%
Technology	6.1%
Retailing	6.0%
Consumer Cyclical	5.6%
Basic Materials	4.3%
Comm. & Media	4.1%
Real Estate	4.1%
Consumer Products	3.9%
Utilities & Pipelines	1.7%

Asset Mix

Long-term		Current
12.5%	Overseas Stocks	22%
12.5%	U.S. Stocks	11%
35%	Canadian Stocks	28%
35%	Bonds	25%
5%	Cash	14%

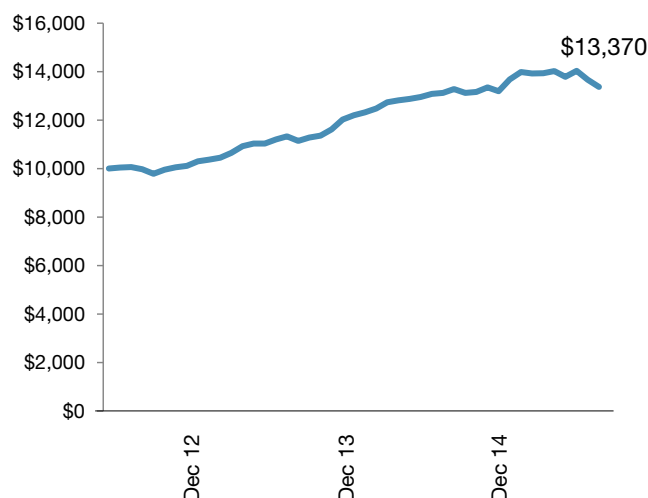
Performance

Compound Annualized Returns (as of September 30, 2015)

	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Founders Fund	-3.0%	1.3%	1.8%	7.3%	9.1%	N/A	N/A	8.4%
FTSE TMX Canada Universe Bond Index	0.1%	2.5%	5.3%	5.8%	3.4%	N/A	N/A	3.8%
S&P/TSX Composite Index	-7.9%	-7.0%	-8.4%	5.0%	5.7%	N/A	N/A	5.0%
MSCI World Index (\$Cdn)	-1.6%	9.0%	14.0%	18.4%	21.0%	N/A	N/A	18.0%

*Feb 17, 2012

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Income Fund

Market Context

- The Canadian bond market rose modestly in the quarter and had a return of 0.1%.
- The 10-year Government of Canada bond yield fell from 1.7% to 1.5% over the quarter, which was a positive for investors (when yields fall, bond prices rise, and vice-versa). This was mitigated, however, by a rise in corporate bond yields.
- The Canadian stock market lost 7.9%. Resource stocks were a key area of weakness.

The fund was down 1.3% in the quarter. Since inception (Feb 2007), it has a cumulative return of 68%, which equates to an annualized return of 6.2%.

Portfolio Specifics

- Bonds comprise 73% of the fund (47% corporate bonds; 26% government bonds). Corporate (and high yield) bonds struggled in the quarter. Faced with economic uncertainty, investors demanded higher yields to compensate for the additional risk.
- The manager's (Connor, Clark & Lunn) bias toward bonds with 7-10 year maturities helped the fund somewhat, as yields on these securities fell more than those of short-term bonds.
- Although it didn't help this quarter, the manager continues to focus on corporate bonds. Central banks are pursuing highly stimulative conditions (i.e. low short-term interest rates), which is supportive of these bonds. Moreover, credit spreads (the difference in yield between corporate and government bonds) are looking attractive in CC&L's view, after reaching levels this summer that haven't been seen since 2011.
- The fund's position in high yield bonds was maintained over the quarter, with a focus on well established companies (e.g. VIDEOTRON, BANK OF AMERICA). Bonds in the energy sector continue to be avoided, as balance sheets are increasingly under stress. High yield bonds comprise 8% of the fund and offer a yield of 6.5%.
- The fund's equity holdings (27% of the portfolio) were down in the quarter, although they fared better than the market in general due to their more defensive nature. The manager purchased additional shares in TELUS, MANITOBA TELECOM and FORTIS.
- A major theme in the fund's equity strategy continues to be 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 September.

Stock Transactions

Buy

Telus
Manitoba Telecom
Fortis

Sell

Bonavista Energy
Cogeco Cable
Calloway REIT

Positioning

- The manager expects interest rates to remain low, and rates in Canada may even move lower until the economy gets on firmer footing. CC&L believes 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.

Fund size	\$91,152,534
Pre-fee Yield	3.1%
Avg Term to Maturity	8.9 yrs
Duration	6.8 yrs



Income Fund

Attributes

Top Holdings (% of Fund)

CC&L High Yield Bond Fd	7.8%
Ontario 3.15% (06/02/22)	4.5%
Quebec 3.00% (09/01/23)	3.5%
Ontario 5.60% (06/02/35)	3.4%
BMO 3.40% (04/23/21)	3.2%
BNS 3.27% (01/11/21)	2.2%
Ontario 2.85% (06/02/23)	2.1%
TD Bank	1.9%
RBC 2.82% (07/12/18)	1.8%
Royal Bank	1.7%

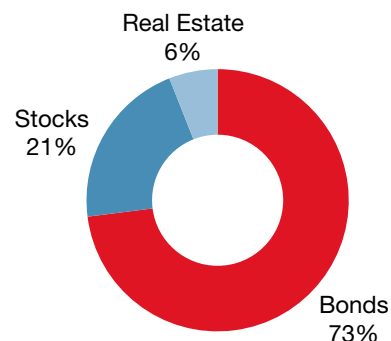
Issuer Allocation (Bonds)

Federal Gov't Bonds	1.8%
Provincial Gov't Bonds	34.5%
Corporate Bonds	63.7%

Rating Summary (Bonds)

AAA	5.8%
AA	46.3%
A	25.3%
BBB	14.1%
BB (or lower)	8.5%

Asset Mix



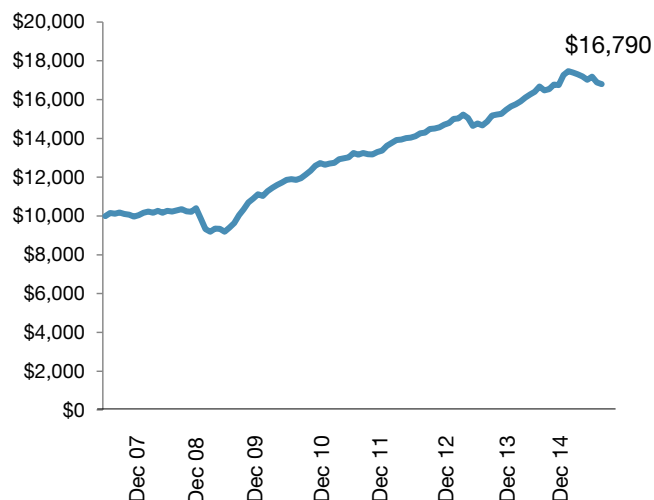
Performance

Compound Annualized Returns (as of September 30, 2015)

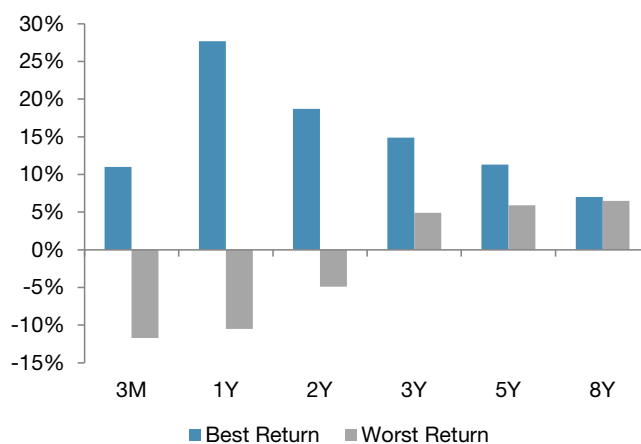
	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Income Fund	-1.3%	0.3%	1.9%	6.3%	5.1%	5.9%	6.5%	6.2%
FTSE TMX Canada Universe Bond Index	0.1%	2.5%	5.3%	5.8%	3.4%	4.4%	5.5%	5.2%
S&P/TSX Composite Index	-7.9%	-7.0%	-8.4%	5.0%	5.7%	4.5%	2.2%	3.2%

*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) had a rough quarter, falling 7.9%. Resource stocks continue to be a significant area of weakness.
- Global stocks also struggled, although the MSCI World Index only lost 1.6% in Canadian dollar terms as a falling loonie dampened the index's decline.

Portfolio Specifics

- The fund holds 25 stocks, of which 54% are headquartered in Canada, 26% in the U.S., 16% overseas and 4% in Mexico.
- The portfolio held up well in a weak quarter. Its energy investments lost ground (notably PRAIRIESKY ROYALTY and PASON SYSTEMS) as commodity stocks remain out-of-favour, but many industrial and consumer holdings continue to turn in strong operating results. Of note, CCL INDUSTRIES (a specialty packaging company) and CBOE HOLDINGS (Chicago Board Options Exchange - see snapshot on page 16) were strong performers.
- The manager, CGOV Asset Management, continues to have a cautious outlook, but is starting to see better value emerge in pockets of the market, such as the resource sector. Falling commodity prices have led investors to dump stocks en masse, with little regard for fundamentals in certain instances. The manager added to PRAIRIESKY and SUNCOR and bought WESTSHORE TERMINALS. Westshore is Canada's leading coal export facility and is a stock the fund has owned in the past. CGOV likes a lot about the company (it has good long-term contracts, a strong balance sheet and limited competition) and feel that it's undervalued after dropping 25% since the spring.
- The fund continues to have a focus on high-quality companies, which in our definition are companies that have consistency in their revenues, resilient business models and minimal debt. To a lesser degree, it also owns some economically-sensitive companies (e.g. resource stocks) and businesses with higher growth potential (e.g. STARBUCKS, NOVOZYMES, FEMSA). This balance has served the fund well over time.
- There was plenty of volatility in the summer, which CGOV saw as an opportunity. The manager added to HOME CAPITAL GROUP, CAE, FEMSA, NOVARTIS and the above-mentioned resource companies on price weakness, and trimmed STARBUCKS and RITCHIE BROS. AUCTIONEERS, which have been strong performers this year.
- DAIRY FARM was sold as its management has not been executing as well as expected.
- The fund currently has a cash position of 5%.

Positioning

- Focus remains on stable businesses that are leaders in their field.
- Investments are broadly diversified by industry and geography. From a revenue standpoint, the companies in the portfolio generate roughly one-third of their revenues in Canada, one-third in the U.S., and one-third internationally.

The fund fell 0.3% in the quarter. Since inception (Feb 2007), it has a cumulative return of 67%, which equates to an annualized return of 6.1%.

Transactions

Buy

Westshore Terminals*
PrairieSky Royalty
Suncor Energy
Novartis

Sell

Dairy Farm International
Ritchie Bros. Auctioneers
Starbucks

*New Holding

Fund size	\$67,617,901
No. of stocks	25



Equity Fund

Attributes

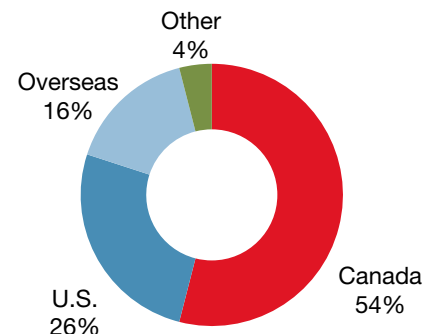
Top Stock Holdings

TD Bank	5.7%
Suncor Energy	5.5%
CVS Health	5.2%
Visa	4.9%
Franco-Nevada	4.2%
Novozymes	4.2%
CN Rail	4.1%
Ecolab	4.0%
CAE	4.0%
CBOE Holdings	4.0%

Sector Allocation (Stocks)

Industrial Goods & Svc	29.7%
Financial Services	22.2%
Oil & Gas	15.0%
Retailing	13.0%
Basic Materials	8.3%
Consumer Products	7.6%
Healthcare	4.2%

Geographic Profile (Stocks)



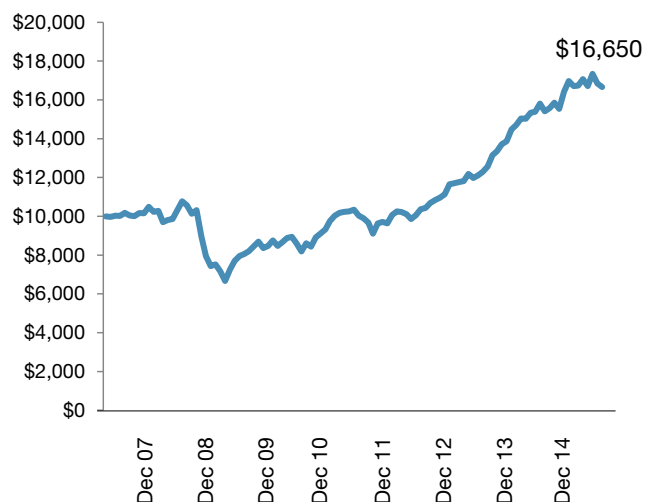
Performance

Compound Annualized Returns (as of September 30, 2015)

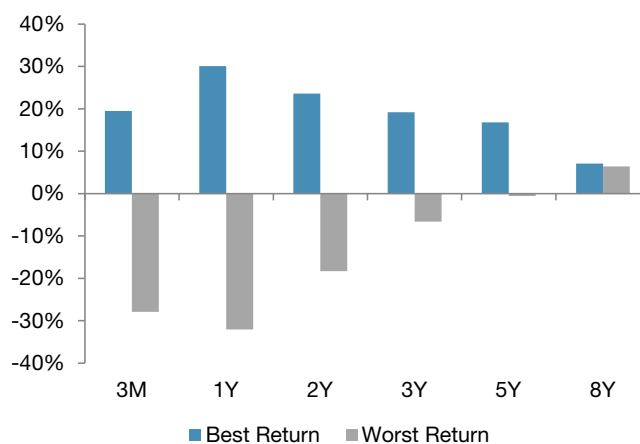
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Equity Fund	-0.3%	7.2%	8.0%	15.1%	15.9%	13.3%	6.4%	6.1%
S&P/TSX Composite Index	-7.9%	-7.0%	-8.4%	5.0%	5.7%	4.5%	2.2%	3.2%
MSCI World Index (\$Cdn)	-1.6%	9.0%	14.0%	18.4%	21.0%	14.8%	6.2%	4.9%

*Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Global Equity Fund

Market Context

- Global stock markets lost ground in the third quarter, with the MSCI World Index falling 1.6% in Canadian dollar terms.
- Stock market declines were widespread, but losses were mitigated for Canadian investors because of a weaker loonie; our dollar fell 7% against the U.S. dollar and the Euro, and 9% against the Japanese Yen.

Portfolio Specifics

- The fund holds 41 stocks across 13 countries. Asian stocks make up 46% of the fund, while Europe (including the U.K.) accounts for 36% and the U.S. 18%.
- Asian holdings fared poorly, as investors were particularly concerned with China's slowing growth. Although Chinese shoppers have been resilient, the country's industrial downturn ruled the headlines. While the fund doesn't have any direct holdings in China, its investments in the Asia/Pacific region were impacted by the poor sentiment. In particular, banks suffered, as did Japanese stocks in general.
- The manager, Edinburgh Partners Ltd., believes the picture in China isn't as gloomy as many observers would suggest. They feel that company fundamentals and stock valuations in Asia remain attractive, and viewed the market weakness as an opportunity to add to certain holdings. A new stock, SK HYNIX (a South Korean manufacturer of random access memory chips), was also purchased.
- Energy prices continued to slide in the summer. The bad news is that this hurt the fund's investments in the oil & gas sector (BP, SHELL). The manager doesn't know what the price of oil will do in the short term, but is starting to see attractive opportunities at current levels. A new company was purchased, APACHE (an American oil & gas producer with a low cost structure), following a significant price fall. The good news is that cheaper oil benefits many of the fund's Asian and European holdings, such as CK HUTCHISON, YAMAHA and POST NL.
- The European economy is recovering, albeit with some hurdles. Certain stocks are trading at prices that assume a dire outlook, and EPL is continuing to find value in banks and healthcare companies.
- Notable transactions included the above-noted purchases of SK HYNIX and APACHE, as well as HARMAN, a leading supplier of audio products and auto infotainment.
- The fund currently has a cash position of 4%.

Positioning

- The fund's investments remain concentrated in Asia and Europe - the two regions where valuations and growth prospects are more attractive in the manager's view.
- The portfolio presently has a bias towards large companies that have a broad revenue base, lower price-to-earnings multiples and attractive earnings recovery potential.

The fund was down 7.3% in the quarter. Since inception (Feb 2007), it has a cumulative return of 12%, which equates to an annualized return of 1.4%.

Transactions

Buy

SK Hynix*
Apache*
Harman International*
Galaxy Entertainment
CK Hutchison

Sell

Terex
Cheung Kong Property Hdq.

*New Holding

Fund size	\$57,838,507
No. of stocks	41



Global Equity Fund

Attributes

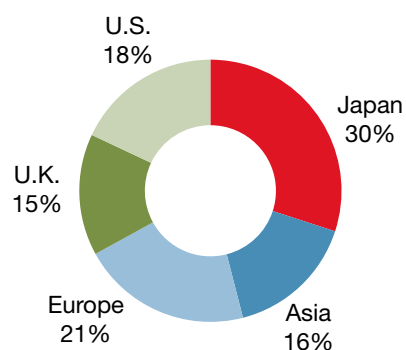
Top Stock Holdings

Novartis	3.1%
Bayer	3.0%
Roche	3.0%
BG Group	2.9%
Swire Pacific	2.8%
CK Hutchison	2.8%
Sumitomo Mitsui Fin'l	2.8%
NTT	2.7%
Sumitomo Mitsui Trust	2.7%
Japan Tobacco	2.7%

Sector Allocation (Stocks)

Financial Services	24.1%
Consumer Cyclical	16.2%
Industrial Goods & Svc	15.8%
Healthcare	14.4%
Oil & Gas	9.6%
Technology	9.1%
Comm. & Media	8.0%
Consumer Products	2.8%

Geographic Profile (Stocks)



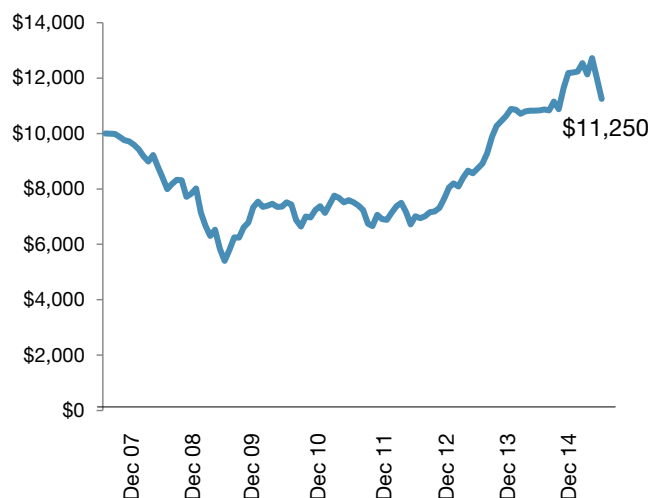
Performance

Compound Annualized Returns (as of September 30, 2015)

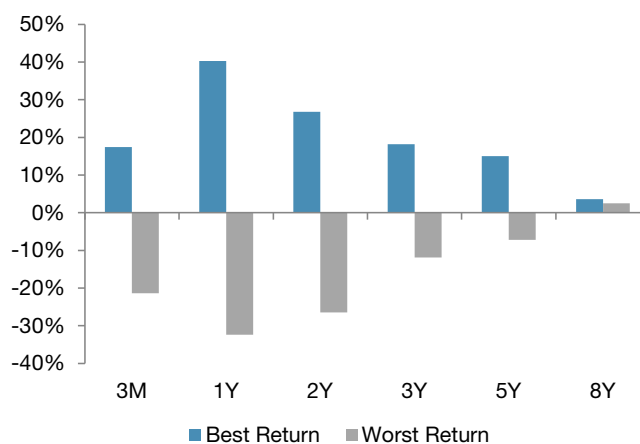
	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Global Equity Fund	-7.3%	3.5%	3.5%	10.0%	16.3%	9.2%	2.6%	1.4%
MSCI World Index (\$Cdn)	-1.6%	9.0%	14.0%	18.4%	21.0%	14.8%	6.2%	4.9%

*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) dropped 14.7% in the quarter.
- Resource companies, a large component of the Canadian market, fared especially poorly as commodity prices fell in the summer. The price of oil and many base metals have suffered this year with the prospect of a Chinese economic slowdown.

Portfolio Specifics

- The fund holds 16 stocks, with market capitalizations ranging from \$200 million (ZCL COMPOSITES) to \$3 billion (MACDONALD DETTWILER). Twelve of the 16 holdings are under \$1 billion. Fourteen are Canadian and two are American.
- The fund has struggled over the last 18 months. A key reason is that resource stocks have lost considerable ground. Roughly 30% of the portfolio is invested in the sector. The manager, Wil Wutherich, believes the fund's resource holdings offer excellent value, but the pessimism overhanging the sector will take some time to abate.
- Wutherich is undeterred by the negative headlines and sentiment and is instead focused on uncovering opportunities. He continues to feel good about the composition of the portfolio and has been selectively adding to a number of positions.
- AVIGILON was purchased in the quarter. The company makes high definition cameras and develops analytical tools for the security industry. The company's stock price has declined with the broad market and because of some personnel turnover. The manager feels this short-term noise doesn't change the long-term prospects of the company.
- Two stocks were sold due to deteriorating fundamentals, ARSENAL ENERGY and HNZ. The steep drop in the price of oil increased the risk in both stocks. ARSENAL's balance sheet has deteriorated while helicopter service provider HNZ relies on resource companies as a large part of its customer base.
- Although the bulk of the fund's investments are headquartered in Canada, the fund has valuable exposure to the U.S. and overseas markets. Companies such as MEDICAL FACILITIES, HIBBETT SPORTS and CBIZ generate their revenues primarily in the U.S., while GRAN TIERRA, TRANSGLOBE, DIRECTCASH PAYMENTS and MACDONALD DETTWILER have significant international operations.
- The fund currently has a cash position of 10%.

Positioning

- While the environment is challenging, the manager is seeing more opportunities than he has in a number of years. He remains disciplined to his process and has been buying additional shares in companies that have seen their stock price fall but still have strong fundamentals.
- The portfolio remains concentrated in a diverse group of businesses, with a current emphasis in the industrial, resource and technology sectors.

The fund was down 14.7% in the quarter. Since inception (Feb 2007), it has a cumulative return of 57%, which equates to an annualized return of 5.4%.

Transactions

Buy

Avigilon*
Parkland Fuel
ZCL Composites
Medical Facilities

Sell

Arsenal Energy
HNZ

*New Holding

Fund size	\$39,118,801
No. of stocks	16



Small-Cap Equity Fund

Attributes

Top Stock Holdings*

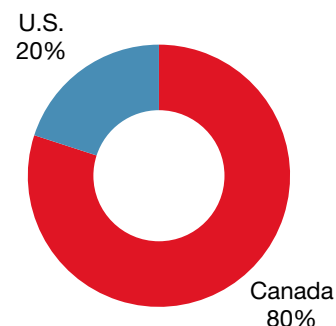
CBIZ	10.9%
Stantec	7.9%
Hibbett Sports	7.2%
Pure Technologies	6.7%
Medical Facilities	6.2%
DirectCash Payments	5.9%
Total Energy Services	5.7%
ZCL Composites	5.6%
MacDonald Dettwiler	5.2%
Parkland Fuel	4.5%

*As of July 31

Sector Allocation (Stocks)

Industrial Goods & Svc	30.2%
Oil & Gas	19.3%
Technology	17.6%
Basic Materials	9.8%
Healthcare	9.5%
Retailing	7.1%
Financial Services	6.5%

Geographic Profile (Stocks)



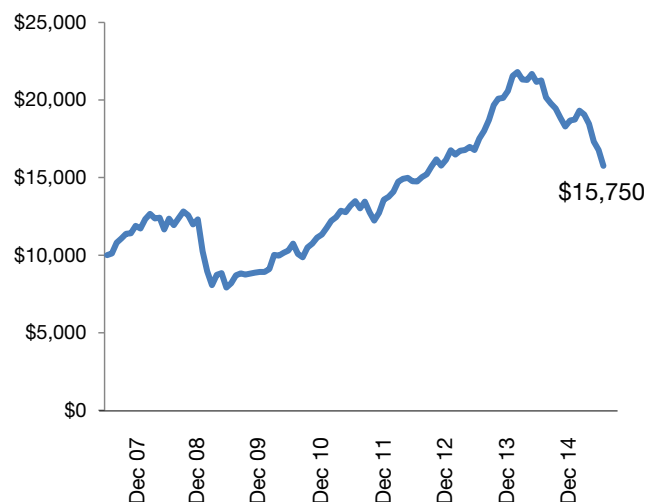
Performance

Compound Annualized Returns (as of September 30, 2015)

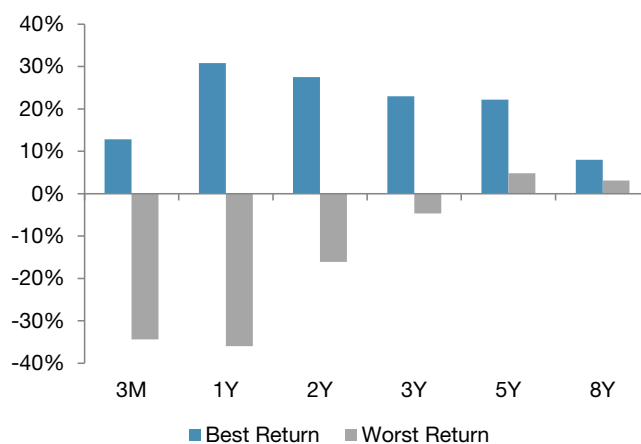
	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Small-Cap Equity Fund	-14.7%	-16.4%	-21.9%	-8.3%	0.1%	7.2%	3.1%	5.4%
BMO Small Cap Index	-14.7%	-13.9%	-20.2%	-4.1%	-2.9%	-0.5%	0.2%	0.5%

*Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Savings Fund

Market Context

- The Bank of Canada lowered its key lending rate in July to 0.5%.
- The central bank's rate cut was in response to its view that Canada's economy is undergoing a "significant and complex adjustment." Business investment in the energy sector has fallen and exports have been weaker than expected. Additional stimulus is thus required to help return the economy to full capacity.

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 68% of the fund.
- Government notes make up 32% of the portfolio. This portion of the fund is currently 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 September was 0.7%.

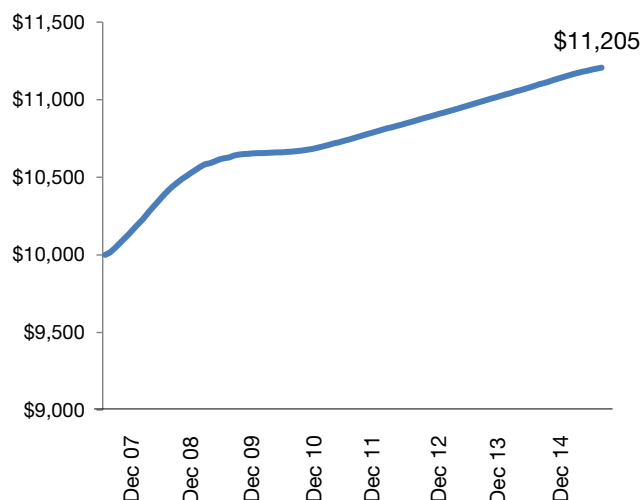
Performance

Compound Annualized Returns (as of September 30, 2015)

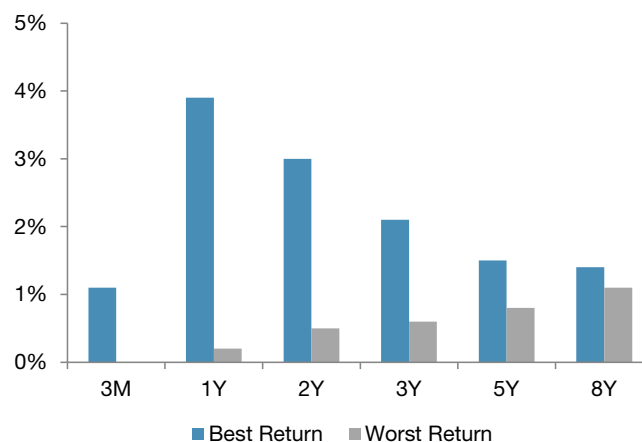
	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Savings Fund	0.2%	0.6%	0.9%	0.9%	1.0%	1.0%	1.1%	1.3%
FTSE TMX Canada 91 Day T-Bill Index	0.2%	0.5%	0.8%	0.8%	0.9%	0.9%	1.3%	1.5%

*Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Stock Snapshot



Overview

Chicago Board Options Exchange (CBOE) builds marketplaces to bring buyers and sellers of options and futures together. Options give owners the right to buy or sell a security at a predetermined price in exchange for a premium. Futures allow investors to lock in a price for the purchase or sale of a security at a future date.

CBOE also develops indices. The most popular of these is the VIX index, which is a barometer of market volatility. CBOE offers options and futures on these proprietary indices.

While the stock is categorized in the financial sector, it has characteristics that set it apart from a typical financial services company. Exchanges compete with each other by offering investors faster and better ways to transact with each other. This requires large investments in technology and makes the business drivers different from banks, insurance companies or REITs.

The stock is held in our Equity Fund (4.0% position size). It was purchased earlier this year.

Investment Case

Exchanges are highly regulated and require large amounts of capital and technology to set up. This limits the number of new entrants in the industry and helps protect current exchanges from new competition. The result is a company that has been able to produce strong profits which it can reinvest in the business or return to shareholders.

The securities traded on CBOE's exchanges tend to be sophisticated in nature. The manager of our Equity Fund (CGOV Asset Management) believes that demand for these products will grow as they become better understood and more widely accepted by investors.

The company's defensive nature further strengthens its investment case. Investors tend to use options and futures for managing risk. This results in higher trading volumes in times of market stress – a boon for CBOE.

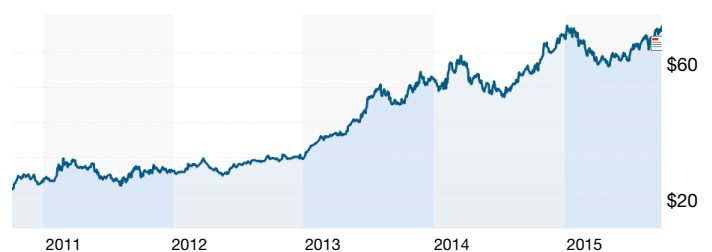
Risks to Outlook

CBOE's success hasn't gone unnoticed by other exchanges. Rival companies are getting ready to launch their own options and futures exchanges, while others are expanding their existing platforms. Additionally, investors today can more often buy and sell the same option or future on different exchanges. This may put pressure on CBOE's profit margins.

The proprietary nature of CBOE's products protects it somewhat. And the company's management is trying to enhance its advantage by launching new proprietary products focused on risk management.

An interesting fact: CBOE was founded in 1973 as the first marketplace for trading listed options. Its annual exchange volume surpassed one billion contracts for the first time in 2008.

CBOE: Price History



Source: Reuters

Special to the Globe and Mail: Why I'm Buying Stocks Again

By Tom Bradley (published Sept 23rd)

Over the past year, people have not wanted to hear my cautious take on bonds and stocks. I've been called a Debby Downer and party pooper and, as the head of a growing investment management firm, have definitely been a marketing albatross

In the spring, one of my partners asked me, "What would it take for you to lighten up a bit?" I was too grouchy to answer at the time, but it got me thinking. What has to change for me to be more optimistic, and by how much?

Better stock valuations

In the investment community and media, the debate this year has been whether stocks were overvalued. My work would suggest P/E multiples were on the expensive side going into summer, and this was confirmed by our fund managers' complaints about not finding many cheap stocks.

As the leaves start to drop with the temperatures, have we made any progress on this front? My answer is yes, stock prices are down from their peaks and price-earnings ratios have moved closer to their long-term averages. In recent weeks, we've been using weak days to buy stocks in all our funds, including the Founders Fund.

Sustainable bond yields

The bond market is referred to as the senior market. As an old stock analyst, I've always been reluctant to accept that title, but the truth is that interest rates provide the foundation for all capital markets.

A big part of my grouchiness relates to the unsustainable interest rates we have today. Central bankers are micro-managing short-term rates and bond investors are being forced to accept inadequate returns. Real interest rates (after inflation) are hovering around zero.

Unfortunately, this situation got worse over the summer due to concerns about slower economic growth.

Rates are lower and the pre-eminence of the central bankers was reaffirmed again last week when we waited breathlessly for the U.S. Federal Reserve to decide on whether to start normalizing interest rates. Needless to say, this part of the investment foundation is still shaky.

Wider credit spreads

With our faux interest rates, it's been a great time to be a borrower. Nowhere has this been more evident than in the corporate bond market. Companies of all types and quality have had open access to financing at yields they could only have dreamed of a few years ago. But it follows then that it's not been so great for lenders. The extra yield received for taking more risk in owning a corporate bond, referred to as the spread over government bond yields, has been at cyclical lows.

But there's good news on this front. The summer's uncertainty has increased spreads and made investment-grade and lower-quality bonds more attractive. For example, the yield on the U.S. high yield index is now more palatable at 7.3 per cent, up from just 5.2 per cent a year ago.

Reasonable expectations

Art Phillips, co-founder of Phillips, Hager & North, taught me to use investor sentiment as a contrarian indicator. The more bearish people were, the more buy tickets Mr. Phillips put on the trading desk, and vice-versa.

I wouldn't have described the mood of investors as unabashedly bullish in the spring, but there was definitely complacency around the risks in the market, and an emerging consensus called TINA – There Is No Alternative (to owning stocks) – indicated a lack of skepticism.

As we get ready for winter, the sentiment backdrop is much healthier. The choppy and mostly down markets of the past two months have eliminated the blind optimism toward stocks. And importantly, growth expectations for the world economy are more realistic. Investors are recognizing the impact of the world's debt burden, and are no longer counting on China to be the "Eveready" growth engine.

A better environment

I can't say that all of this has yet made me a joy to be around, but I am in a more optimistic mood. As always, we have no idea where the markets are going in the short to medium term, but the backdrop is better, values have improved and expected returns are higher.

Steadyhand



Eating our own Cooking

As we do at this time every year, we've updated our [co-investment numbers](#) and can report that on average, our team has 89% of our financial assets invested in the Steadyhand funds. Clearly, we eat our own cooking. A lot of it.

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.

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