Steadyhand

Q4
2015

Volatility returned with a vengeance in 2015. One strategist aptly described the year as "violently flat."

Bradley's Brief

I said last year that 2014 was a "bizarre" year. I feel the same about 2015. I recently heard it described as "violently flat."

It was a harder year to keep steady because of some extreme outcomes, most of which were not anticipated. We started the year feeling that our loonie was already weak, but it proceeded to fall another 17% relative to the U.S. dollar. The same with oil and other commodities - low went a whole lot lower.

In the course of twelve months, high yield bonds (affectionately known as 'junk' bonds) went from being loved and easy to sell (liquid) to despised and sticky (illiquid). Debt levels started the year insanely high and, you guessed it, went still higher, with Canadian consumers and the Ontario government being the poster boys.

More than other years, 2015 reinforced the benefits of diversification. We (our fund managers and I) didn't see most of these things coming, but by focusing on owning great businesses at good prices, and building portfolios exposed to a broad set of variables, our balanced clients had a positive return for the 7th year in a row.

What does it mean to be diversified? It means:

- Having exposure to a wide range of economic variables – more than just resources and financial services in Canada.
- Owning different types of assets: cash; corporate and government bonds; and small, medium and large-sized stocks from Canada, the U.S. and overseas.
- Being exposed to a variety of currencies.
- And in the case of Steadyhand, having four different managers picking securities.

Importantly, being diversified means owning some securities you don't particularly like. As the late Peter Bernstein so aptly put it, *"If you are comfortable with everything you own, you're not properly diversified."*

Being a client of Steadyhand over the years means you haven't always jumped on the hot trends, but you also haven't got caught up in the unsustainable fads that embraced the markets at various times – Canada-only, anti-U.S., commodity super-cycle, dividend-only, gold, high yield and preferred shares. You've been broadly diversified, with our managers making the calls on the funds, and Salman and I fine-tuning the Founders Fund.

In the next few weeks, we'll get a better sense of where Steadyhand clients stood relative to others and will publish our annual *How is Steadyhand Doing?* Report. I can say for sure that the range of returns for Canadian investors in 2015 was very wide. There will most certainly be investors who beat us, but I dare say there will be many behind us, and many who sustained significant losses due to heavy exposure to resources and/or little or no foreign content (i.e. lack of diversification).

With regard to the foreign stocks, the weak loonie had a significant impact on your returns. Most years, currency is a small positive or negative, but its effect was magnified in 2015. By having more than half of your stocks from outside of Canada, you benefited from the strength of the U.S. dollar, Japanese Yen and Euro (We did not hedge our currency exposure).

As we look forward to the next few years, the forces that will impact investment returns are as mixed as ever, which points towards staying broadly diversified, keeping your debt under control and keeping your eye on the prize – long-term returns. As always, don't be afraid to lean on us if you need help or just want a steady hand.

Key Takeaways

Stocks

- Stocks had a mixed year, marked by plenty of volatility.
- The Canadian market (S&P/TSX Composite Index) declined 8.3%. It was weighed down by resource stocks, which suffered as commodity prices continued to fall.
- Foreign stocks fared better. The American market (S&P 500 Index) was flat (up 1.4% in U.S. dollars), while many European markets posted single-digit gains. Japan was a top performer, gaining 10%. Emerging markets, conversely, were weak.
- For Canadian investors, foreign returns were boosted by a weaker loonie, which fell 17% against the U.S. dollar, 16% against the Yen and 7% against the Euro.

Market Returns

	3M	1Y
Canada	-1.4%	-8.3%
World	9.1%	18.9%

Bonds

- The Canadian bond market (FTSE TMX Canada Universe Bond Index) had a good year, providing a total return (interest and capital appreciation) of 3.5%.
- Yields on government and high-quality corporate bonds declined over the course of the year, which was a positive for investors (when yields fall, prices typically rise). High yield bonds, however, suffered losses.
- The 10-year Government of Canada bond yield fell from 1.8% to 1.4%.

	3M	1Y
Bonds	1.0%	3.5%

Our Funds

- Our funds advanced in the year with the exception of the Small-Cap Fund. Balanced clients experienced returns in the range of 2-4%, depending on their mix. Over our performance history (nearly 9 years), balanced clients have gained 5-6% per year.
- Overall, our positioning remains cautious. Our funds have a focus on high-quality stocks with reasonable valuations and the Founders Fund is holding more cash than normal. Our foreign stock exposure has a tilt towards Asia and Europe, rather than the U.S., as our global manager continues to find better value outside North America.
- In the context of our balanced portfolios, key transactions in the fourth quarter included the purchase of MAGNA INTERNATIONAL (Canada) and NOKIA (Finland), and the sale of BIRCHCLIFF ENERGY (Canada), ABB (Switzerland) and SCREEN HOLDINGS (Japan).

Fund Returns

	3M	1Y
Savings	0.2%	0.8%
Income	0.5%	0.8%
Founders	2.6%	3.9%
Equity	1.0%	8.3%
Global	8.8%	12.6%
Small-Cap	3.3%	-13.7%

Our Advice to Clients

Our outlook remains cautious as we head into 2016. Overall stock market valuations are within their normal range, albeit at the higher end. 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 and interest rates are near historic lows. As an alternative to bonds, we recommend a healthy cash holding. In the Founders Fund, for example, 16% of the portfolio is currently held in cash.

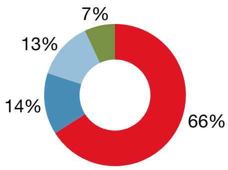
For our thoughts on asset mix and the advice we're giving clients, visit the Current Outlook page on our website, or give us a call at 1.888.888.3147.

Steadyhand Portfolios (Hypothetical)*

Compound Annualized Returns (as of December 31, 2015)

Income Fund
Equity Fund
Global Equity Fund
Small-Cap Equity Fund

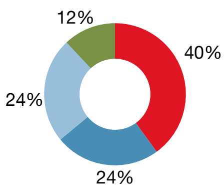
Balanced Income Portfolio (50/50)



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

3M	YTD	1Y	2Y	3Y	5Y	8Y
1.9%	2.4%	2.4%	5.3%	7.4%	7.4%	6.0%

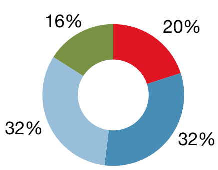
Balanced Equity Portfolio (70/30)



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

3M	YTD	1Y	2Y	3Y	5Y	8Y
3.0%	3.6%	3.6%	5.4%	9.5%	8.5%	5.7%

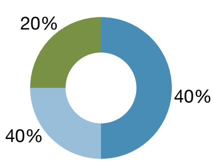
Growth Portfolio (85/15)



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

3M	YTD	1Y	2Y	3Y	5Y	8Y
3.8%	4.6%	4.6%	5.4%	11.1%	9.3%	5.4%

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
4.6%	5.5%	5.5%	5.5%	12.7%	10.1%	5.0%

Capital Market Performance (as of December 31, 2015)

	3M	YTD	1Y	2Y	3Y	5Y	8Y
Cash (FTSE TMX Canada 91 Day T-Bill Index)	0.1%	0.6%	0.6%	0.8%	0.8%	0.9%	1.1%
Cdn Bonds (FTSE TMX Canada Universe Bond Index)	1.0%	3.5%	3.5%	6.1%	3.6%	4.8%	5.3%
Cdn Stocks (S&P/TSX Composite Index)	-1.4%	-8.3%	-8.3%	0.7%	4.6%	2.3%	2.2%
Cdn Small Cap Stocks (BMO Small Cap Index)	0.2%	-13.8%	-13.8%	-7.2%	-2.4%	-4.0%	0.7%
U.S. Stocks (S&P 500 Index $Cdn)	10.6%	21.0%	21.0%	22.5%	28.5%	20.3%	11.1%
Global Stocks (MSCI World Index $Cdn)	9.1%	18.9%	18.9%	17.0%	23.1%	15.6%	7.8%

*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's preference for foreign stocks (33%) helped it withstand a poor year in the Canadian market. Foreign investments were a boon for Canadians because of our weakening dollar. As the loonie slid against the U.S. dollar, Euro, Yen and other currencies, the price of foreign stocks went up in Canadian dollar terms. Ignoring the currency impact, we still feel foreign stocks are more attractive.
- Defensive positioning helped protect investors through the market decline in late summer, but with valuations moving back to more reasonable levels, we made some changes to the fund's mix. Specifically, we increased the stock weighting from 55% to 61% as the market declined. Stocks now account for 60% of the fund.
- At home, Canadian stocks struggled with the steep decline in oil. The energy sector, which accounts for nearly 20% of the market, was down 24% in 2015. The fund currently has 7% of its assets invested in energy stocks. Our managers are assessing current holdings and opportunities in this sector. They have purchased companies they believe are trading at attractive valuations (APACHE) and sold those that are less able to withstand uncertainty (BIRCHCLIFF).
- Canadian stocks in general are starting to look more attractive with reasonable valuations and a weak currency possibly being a tailwind. The fund's Canadian equity exposure (26%) 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).
- We have long been of the view that near-zero interest rates are unsustainable. As a result, the fund's bond allocation (25%) continues to be well below the long-term target of 35%. Fixed income investments are focused in corporate and provincial government securities, with a minimal weighting in federal government bonds.
- While the fund's cash level has come down over the year, it remains higher than normal. Between the Savings Fund and cash held in the equity funds, it finished the year at 16% 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 up 3.9% in 2015. Since inception (Feb 2012), it has a cumulative return of 37%, which equates to an annualized return of 8.5%.

Fund Mix

Income	33%
Equity	25%
Global	23%
Savings	12%
Small-Cap	7%

Asset Mix

Foreign Stocks	33%
Canadian Stocks	26%
Corporate Bonds	14%
Gov't Bonds	11%
Cash & Short-term	16%

Fund size	$244,044,925

Founders Fund

Attributes

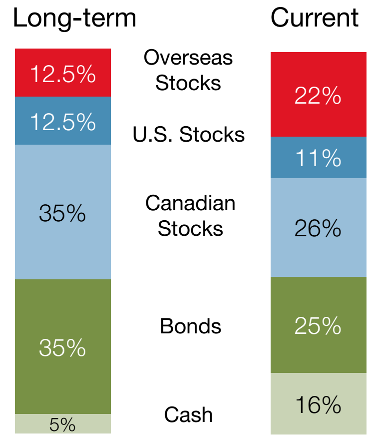
Top Stock Holdings (% of Fund)

TD Bank	2.1%
Novartis	1.8%
CVS Health	1.5%
Loblaw Companies	1.4%
Suncor Energy	1.4%
Visa	1.3%
CN Rail	1.3%
Novozymes	1.1%
Ecolab	1.1%
CAE	1.0%

Sector Allocation (Stocks)

Financial Services	22.5%
Industrial Goods & Svc	21.3%
Oil & Gas	11.2%
Healthcare	7.8%
Consumer Cyclical	6.7%
Retailing	6.6%
Technology	5.6%
Comm. & Media	5.1%
Basic Materials	3.9%
Consumer Products	4.2%
Real Estate	3.4%
Utilities & Pipelines	1.7%

Asset Mix



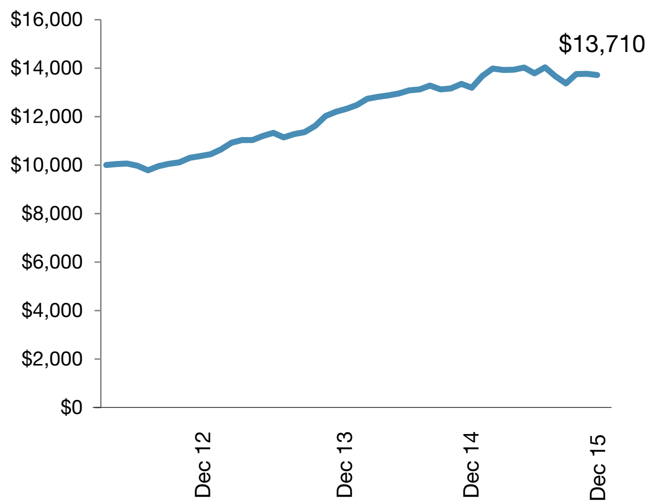
Performance

Compound Annualized Returns (as of December 31, 2015)

	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Founders Fund (after-fee)	**2.6%**	**3.9%**	**3.9%**	**5.5%**	**8.8%**	**N/A**	**N/A**	**8.5%**
FTSE TMX Canada Universe Bond Index	1.0%	3.5%	3.5%	6.1%	3.6%	N/A	N/A	3.8%
S&P/TSX Composite Index	-1.4%	-8.3%	-8.3%	0.7%	4.6%	N/A	N/A	4.3%
MSCI World Index ($Cdn)	9.1%	18.9%	18.9%	17.0%	23.1%	N/A	N/A	19.5%

*Feb 17, 2012

Growth of $10,000 Since Inception



Best and Worst Annualized Returns

Income Fund

Market Context

- The Canadian bond market gained 3.5% in 2015 (interest and capital appreciation).
- The Bank of Canada lowered its key short-term lending rate twice in the year (January and July) by 0.25% each time, to where it currently stands at 0.5%.
- Consequently, the 10-year Government of Canada bond yield fell from 1.8% to 1.4%. This was a positive for investors, as bond prices rise when yields fall.
- The Canadian stock market lost 8.3%. Resource stocks were a key area of weakness.

The fund was up 0.8% in 2015. Since inception (Feb 2007), it has a cumulative return of 69%, which equates to an annualized return of 6.1%.

Portfolio Specifics

- Bonds comprise 74% of the portfolio. The fund's investments are focused in corporate bonds (40%) and provincial government bonds (22%). These investments performed well in the year, providing a return of close to 4% in aggregate. Bond yields declined across the board, which helped performance, and the manager's (Connor, Clark & Lunn) security selection also added value.
- High quality corporate bonds performed well, banks and insurance companies in particular. High yield (lesser quality) corporates, on the other hand, had a weak year. Prices on these bonds fell as investors fled riskier assets. The fund's investments in high yield bonds weighed on performance. CC&L initiated a small position in these bonds early in the year, and added to them on price weakness. They comprised 9% of the fund at the end of the year. An area the manager continues to avoid is energy bonds.
- Overall, the manager currently feels that the best offense is a good defense. The fund has a focus on bonds with mid-term maturities (7-10 years), a defensive bias in its corporate holdings (financials, telecoms, utilities), and a focus on highly liquid securities.
- The fund's equity holdings (26% of the portfolio) were down 0.4% in the year and were the main detractor to performance. That said, they held up much better than the Canadian market in general due to their more defensive nature. Key areas of investment include banks, insurers, real estate investment trusts (REITs) and consumer stocks.
- A major theme in the fund's equity strategy continues to be exposure to companies with growing dividends that are benefiting from U.S. economic growth. Businesses with highly leveraged balance sheets or unsustainable dividends are avoided.
- The fund paid distributions totaling $0.53/unit in 2015.

Stock Transactions

Buy

Canadian Tire
Canadian Apartment Pptys
Rogers Communications

Sell

Shaw Communications
TMX Group

Positioning

- There have been no major changes to the fund's positioning. The manager expects interest rates to remain low and continues to favour corporate and provincial bonds over Government of Canada securities.
- Stocks make up one-quarter of the portfolio and high yield bonds comprise 9%, as both asset classes provide diversification and additional sources of yield.

Fund size	$90,920,243
Pre-fee Yield	3.1%
Avg Term to Maturity	9.2 yrs
Duration	7.1 yrs

Income Fund

Attributes

Top Holdings (% of Fund)

CC&L High Yield Bond Fd	8.6%
Canada 1.25% (02/01/18)	4.3%
Ontario 4.70% (06/02/37)	4.2%
Canada 2.25% (06/01/25)	3.8%
TD Bank B/A (01/18/16)	3.5%
Quebec 3.00% (09/01/23)	3.5%
Ontario 4.60% (06/02/39)	3.3%
TD Bank	2.3%
BMO 3.40% (04/23/21)	2.3%
BNS 3.27% (01/11/21)	2.2%

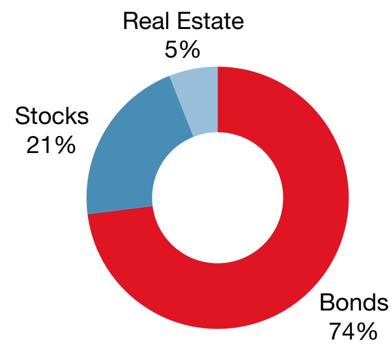
Issuer Allocation (Bonds)

Federal Government	15.4%
Provincial Government	28.5%
Corporate	56.1%

Rating Summary (Bonds)

AAA	18.9%
AA	34.1%
A	23.7%
BBB	14.8%
BB (or lower)	8.4%

Asset Mix



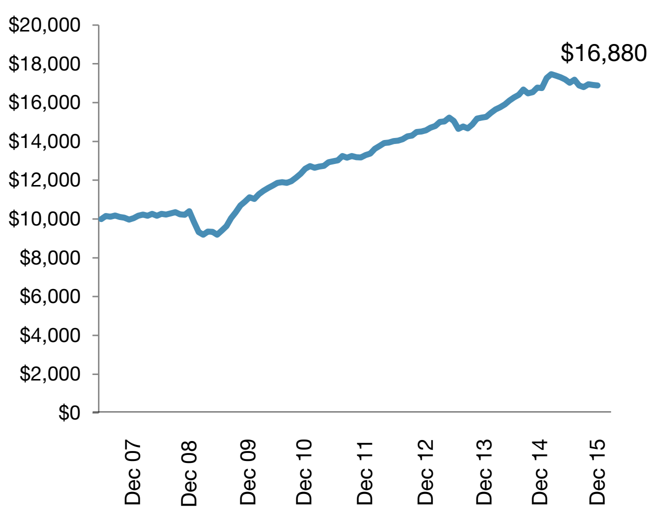
Performance

Compound Annualized Returns (as of December 31, 2015)

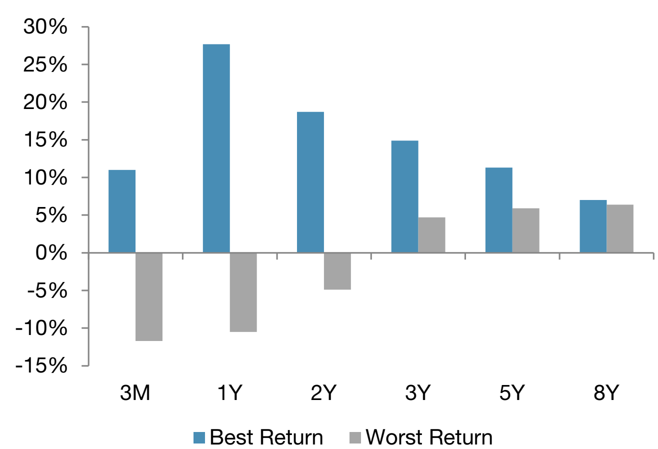
	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Income Fund (after-fee)	**0.5%**	**0.8%**	**0.8%**	**5.2%**	**4.7%**	**5.9%**	**6.4%**	**6.1%**
FTSE TMX Canada Universe Bond Index	1.0%	3.5%	3.5%	6.1%	3.6%	4.8%	5.3%	5.2%
S&P/TSX Composite Index	-1.4%	-8.3%	-8.3%	0.7%	4.6%	2.3%	2.2%	2.9%

*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) lost 8.3% in 2015. Weakness in the resource sector was the largest cause for the poor showing.
- Global stocks, as measured by the MSCI World Index, were up 18.9% in Canadian dollar terms. A large part of the gain was attributed to a depreciating Canadian dollar: when the loonie falls against other currencies, stocks priced in those currencies are worth more in Canadian dollar terms.

The fund gained 8.3% in 2015. Since inception (Feb 2007), it has a cumulative return of 68%, which equates to an annualized return of 6.0%.

Portfolio Specifics

- The fund holds 25 stocks, of which 14 are headquartered in Canada, 6 in the U.S., 4 overseas and 1 in Mexico.
- The fund had a solid year, with foreign stocks driving performance. The impact of a falling Canadian dollar was a significant positive factor.
- U.S. holdings did well, even after taking currency out of the equation. CBOE, ECOLAB, and VISA benefited from growing demand for their products and services.
- Consumer-focused businesses continued to execute well, including LOBLAW, UNILEVER and STARBUCKS, which gained nearly 50% and was the top contributor to performance.
- Falling commodity prices were front and centre in the news over the year. The energy sector, which accounts for nearly one-fifth of the Canadian market, was hit particularly hard, falling 24%. The fund had 13-17% of its assets invested in oil & gas stocks during the year. As for specific holdings, SUNCOR (the fund's 2nd largest investment) was down only modestly while PRAIRIESKY, PASON and BIRCHCLIFF faced more pressure from the falling price of oil. The manager (CGOV Asset Management) sold BIRCHCLIFF in December over concerns about the company's future, but bought additional shares in PRAIRIESKY.
- Financial companies had a weak year in Canada. The fund's holdings, however, proved resilient for the most part. TD BANK is the only bank held in the portfolio and was the best performer of the large Canadian banks. VISA, CBOE and EXPERIAN were also solid performers. HOME CAPITAL GROUP, on the other hand, was a laggard.
- One new stock was added in the fourth quarter, MAGNA INTERNATIONAL. The Canadian company is a global manufacturer of auto parts that is trading at an attractive valuation.
- The fund currently has a cash position of 4%.

Transactions

Buy

Magna International*
PrairieSky Royalty
Loblaw Companies
CVS Health

Sell

Birchcliff Energy
CBOE Holdings
Franco-Nevada

*New Holding

Positioning

- The composition of the fund saw little change in 2015. Focus remains on best-in-class companies across a broad range of industries. The manager, however, has struggled to find new opportunities given the heightened valuations of most high-quality stocks.
- U.S. and overseas stocks remain an important part of the portfolio, providing exposure to leading global companies.

Fund size	$69,181,418
No. of stocks	25

Equity Fund

Attributes

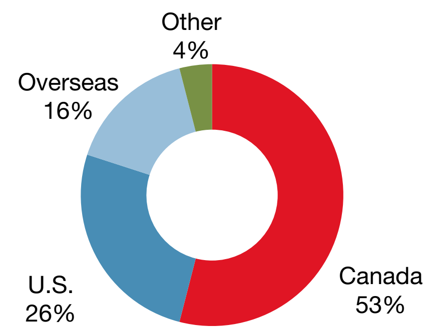
Top Stock Holdings

CVS Health	6.2%
Suncor Energy	5.6%
TD Bank	5.4%
Visa	5.3%
Novozymes	4.6%
Ecolab	4.2%
Novartis	4.2%
CAE	4.1%
Agrium	4.0%
CN Rail	3.9%

Sector Allocation (Stocks)

Industrial Goods & Svc	29.9%
Financial Services	21.2%
Retailing	14.0%
Oil & Gas	12.9%
Basic Materials	7.7%
Consumer Products	7.7%
Healthcare	4.4%
Consumer Cyclical	2.2%

Geographic Profile (Stocks)



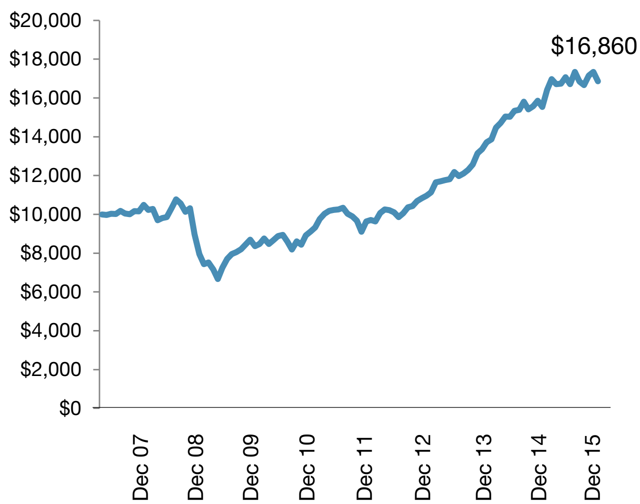
Performance

Compound Annualized Returns (as of December 31, 2015)

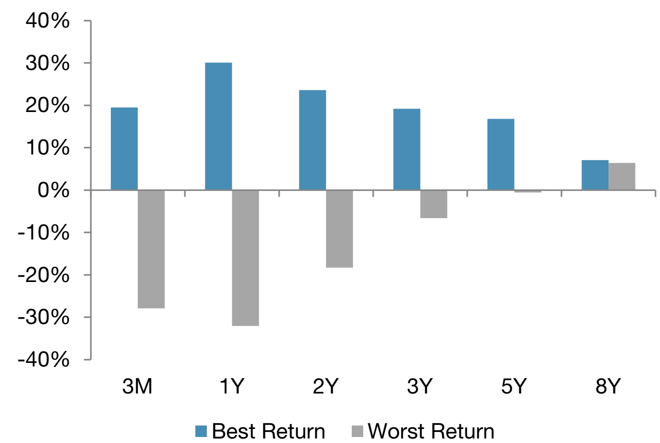
	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Equity Fund (after-fee)	**1.0%**	**8.3%**	**8.3%**	**10.7%**	**14.8%**	**11.5%**	**6.3%**	**6.0%**
S&P/TSX Composite Index	-1.4%	-8.3%	-8.3%	0.7%	4.6%	2.3%	2.2%	2.9%
MSCI World Index ($Cdn)	9.1%	18.9%	18.9%	17.0%	23.1%	15.6%	7.8%	5.8%

*Feb 13, 2007

Growth of $10,000 Since Inception



Best and Worst Annualized Returns



Global Equity Fund

Market Context

- The MSCI World Index was up 18.9% in Canadian dollar terms in 2015. Much of this gain, however, was the result of the Canadian dollar's significant depreciation against the U.S. dollar and other currencies. For example, the loonie fell nearly 20% against both the American dollar and Japanese Yen.
- In local currency terms, global stock markets provided mixed results. The U.S. was flat, European markets gained modest ground, and Japan was up 10%. Emerging markets, on the other hand, suffered double-digit losses.

The fund was up 12.6% in 2015. Since inception (Feb 2007), it has a cumulative return of 22%, which equates to an annualized return of 2.3%.

Portfolio Specifics

- The fund holds 40 stocks across 13 countries. Asian stocks make up 44% of the fund, while Europe (including the U.K.) accounts for 38% and the U.S. 18%.
- The portfolio posted a solid return in 2015, although it lagged the broader market. This was due primarily to its modest exposure to U.S. stocks and the American dollar. The greenback gained 20% on the loonie, which had a huge impact on U.S. stock returns.
- The fund's emphasis on Japanese and European stocks was a positive as these regions performed well. Exposure to their strengthening currencies also boosted returns.
- Japan continues to be the largest area of investment. The focus is on companies expected to benefit from an increase in domestic consumption (EAST JAPAN RAILWAY, NOMURA). Export oriented stocks (TOYOTA, PANASONIC) also remain an important part of the fund. The manager (Edinburgh Partners) took advantage of some gains over the year and sold BRIDGESTONE and YAMAHA.
- Financial companies are expected to benefit from the improving global economy. These stocks comprise 25% of the fund and are a mix of domestically-oriented banks (BANK MANDIRI, NOMURA) and global banks (HSBC, BNP PARIBAS).
- The falling oil price was perhaps the most important investment story for Canadians in 2015. With many energy stocks facing short-term pressures, the manager holds large oil & gas companies it believes are best positioned to weather a period of low oil prices and gain from an eventual turnaround (BP, SHELL). The manager also added APACHE over the year, an American oil & gas exploration company.
- The prospect of the U.S. Fed raising interest rates served as a headwind for emerging markets and their stocks paid the penalty. The manager, however, sees opportunity among the rubble and added to holdings, such as SK HYNIX (a maker of memory chips).
- The fund currently has a cash position of 7%.

Transactions

Buy

Nokia*
HSBC
SK Hynix
DBS Group

Sell

ABB
Screen Holdings Co.
Microsoft

*New Holding

Positioning

- The fund has a pronounced contrarian composition, with its greater emphasis on Asian and European stocks as opposed to U.S. companies. The bias toward the former regions is strictly valuation based (the manager is finding cheaper stocks there).

Fund size	$63,228,951
No. of stocks	40

Global Equity Fund

Attributes

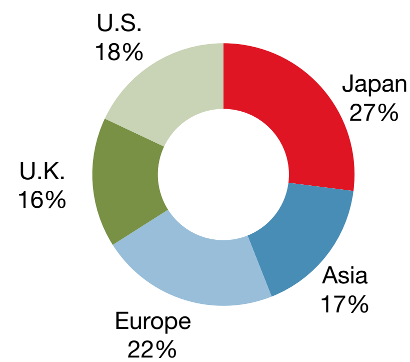
Top Stock Holdings

Novartis	3.1%
Japan Tobacco	3.0%
Roche	2.9%
Nokia	2.8%
BG Group	2.8%
Bayer	2.7%
CK Hutchison	2.7%
Sumitomo Mitsui Trust	2.7%
AstraZeneca	2.7%
KDDI	2.6%

Sector Allocation (Stocks)

Financial Services	24.6%
Consumer Cyclical	16.5%
Healthcare	14.6%
Industrial Goods & Svc	11.3%
Comm. & Media	11.0%
Oil & Gas	9.9%
Technology	8.9%
Consumer Products	3.2%

Geographic Profile (Stocks)



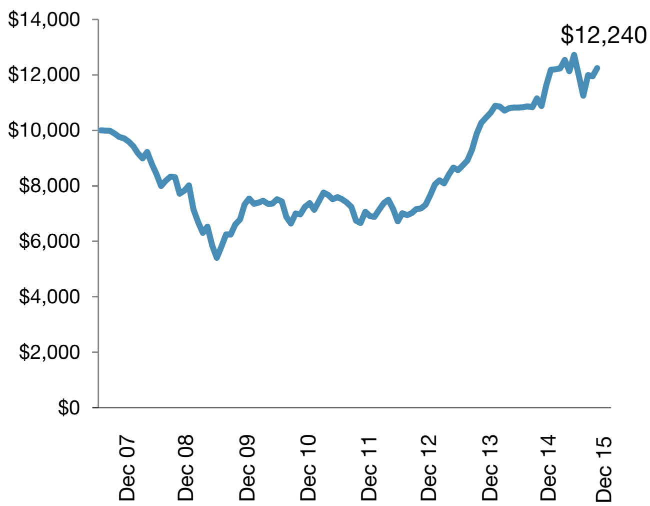
Performance

Compound Annualized Returns (as of December 31, 2015)

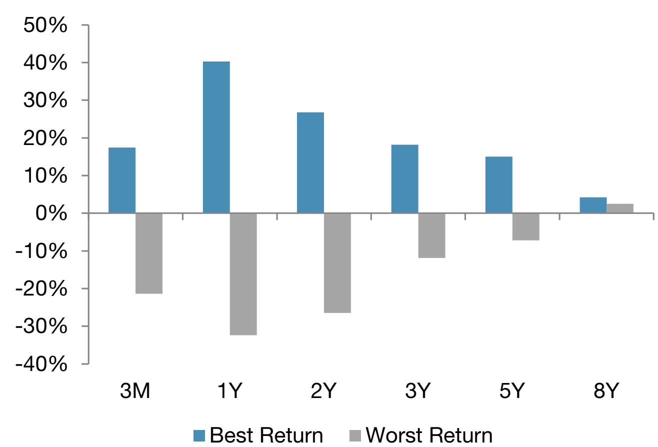
	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Global Equity Fund (after-fee)	**8.8%**	**12.6%**	**12.6%**	**8.2%**	**16.9%**	**10.5%**	**4.2%**	**2.3%**
MSCI World Index ($Cdn)	9.1%	18.9%	18.9%	17.0%	23.1%	15.6%	7.8%	5.8%

*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) declined 13.8% in 2015.
- The resource sector was particularly weak as commodity prices continued to slide. Of note, the price of a barrel of oil fell 30% to close the year under $40.

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 had a tough year. Oil producers were hit hard (notably Arsenal Energy, TransGlobe Energy and Gran Tierra Energy) and its two gold holdings (New Gold and Primero Mining) also suffered in a challenging environment for mining stocks. Resource companies make up roughly one-quarter of the portfolio.
- There was pronounced selling pressure in small-cap resource stocks in the year. At some point, this will subside. Companies with low-cost production and the financial strength to weather the storm will come out the other side with attractive recovery potential. Gran Tierra and Primero Mining in particular fit this description.
- The manager's (Wil Wutherich) investment emphasis has always been on steady-eddy businesses, with a smaller complement of cyclical stocks. This balance has historically served the fund well. 2015 was challenging, however, as stable, growing companies such as MacDonald Dettwiler, Medical Facilities and DirectCash Payments all saw their stock prices fall. Wutherich feels these stocks offer good value and he would be an active buyer if these and other quality companies continue to experience weaker prices in the near term.
- There were some positive stories worth noting. CBIZ, the U.S. business services provider, produced strong operating results and was the fund's top contributor to performance. ZCL Composites and Stantec also turned in double-digit returns.
- Turnover in the portfolio was low in 2015, although there were a few changes worth noting. Three companies were sold because of deteriorating fundamentals: Eagle Energy Trust, Arsenal Energy and HNZ Group. Two businesses were added to the portfolio, DirectCash Payments and Avigilon.
- The fund currently has a cash position of 12%.

Positioning

- Industrial goods and services, resources and technology companies comprise the majority of the fund's investments (77%).
- Although the market as a whole is not cheap, Wutherich is finding areas of opportunity and is selectively adding to companies that he feels have been oversold.

The fund was down 13.7% in 2015. Since inception (Feb 2007), it has a cumulative return of 63%, which equates to an annualized return of 5.6%.

Transactions

Buy

DirectCash Payments
Pure Technologies

Sell

TransGlobe Energy
New Gold
CBIZ

Fund size	$40,729,356
No. of stocks	16

Small-Cap Equity Fund

Attributes

Top Stock Holdings*

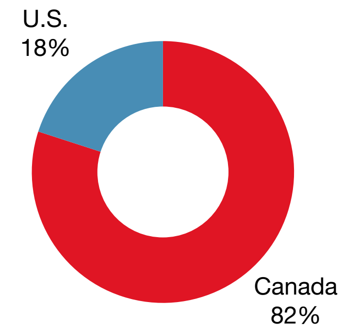
CBIZ	10.0%
Medical Facilities	8.7%
Stantec	7.4%
Avigilon	6.1%
Total Energy Services	5.9%
DirectCash Payments	5.8%
Hibbett Sports	5.7%
Pure Technologies	5.6%
ZCL Composites	5.6%
MacDonald Dettwiler	5.4%

*As of Oct 31

Sector Allocation (Stocks)

Industrial Goods & Svc	38.9%
Oil & Gas	16.8%
Technology	14.2%
Healthcare	8.4%
Financials	7.8%
Basic Materials	7.6%
Retailing	6.3%

Geographic Profile (Stocks)



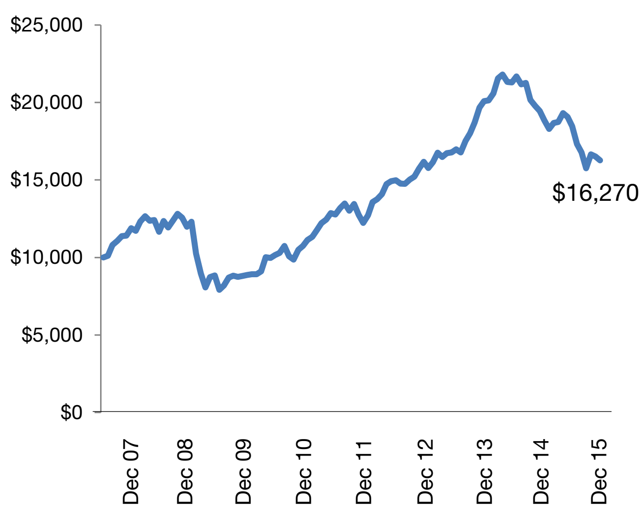
Performance

Compound Annualized Returns (as of December 31, 2015)

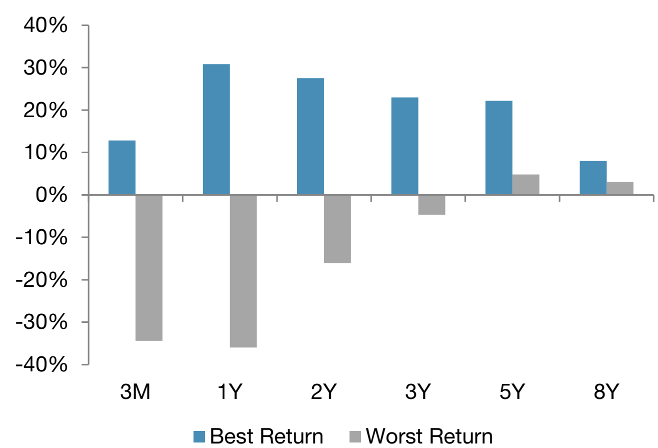
	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Small-Cap Equity Fund (after-fee)	**3.3%**	**-13.7%**	**-13.7%**	**-10.1%**	**0.3%**	**5.9%**	**3.4%**	**5.6%**
BMO Small Cap Index	0.2%	-13.8%	-13.8%	-7.2%	-2.4%	-4.0%	0.7%	0.5%

*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 short-term lending rate twice in the year, in January and July, by 0.25% each time. The rate now sits at 0.5%.
- The central bank's rate cuts were in response to its view that our economy is undergoing an adjustment, with business investment in the energy sector falling and exports weaker than expected. As well, the Bank continues to identify two key vulnerabilities to Canadian households: high levels of debt and imbalances in the housing market.

Positioning

- There were few changes to the positioning of the fund in 2015. The manager, Connor, Clark & Lunn, expects short-term rates to remain anchored by central bank policies. In this environment, CC&L continues to favour high-quality securities that offer attractive yields versus sovereign money market instruments.
- The pre-fee yield of the fund at the end of the year was 0.8%.

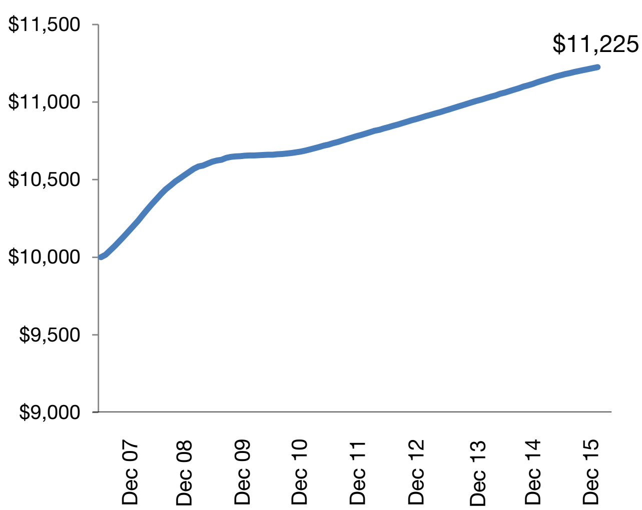
Performance

Compound Annualized Returns (as of December 31, 2015)

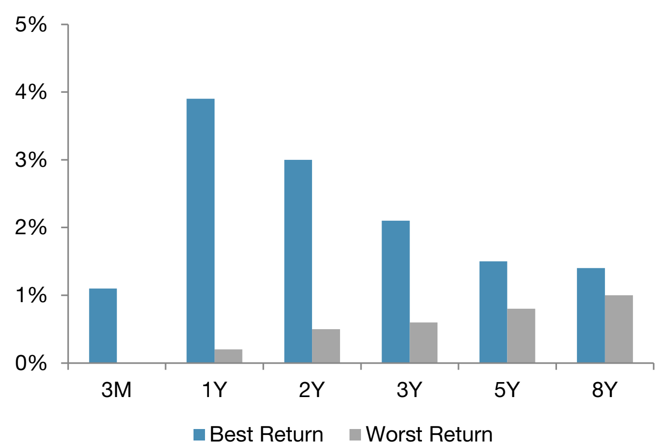
	3M	YTD	1Y	2Y	3Y	5Y	8Y	Incep*
Savings Fund (after-fee)	**0.2%**	**0.8%**	**0.8%**	**0.9%**	**0.9%**	**0.9%**	**1.0%**	**1.3%**
FTSE TMX Canada 91 Day T-Bill Index	0.1%	0.6%	0.6%	0.8%	0.8%	0.9%	1.1%	1.5%

*Feb 13, 2007

Growth of $10,000 Since Inception



Best and Worst Annualized Returns



Stock Snapshot

HARMAN

Overview

Harman International Industries manufacturers and markets audio equipment for automakers and consumers worldwide. The company's portfolio of brands includes Harman Kardon, AKG, Infinity, JBL, Lexicon and Mark Levinson.

Based in Stamford, Connecticut, Harman divides its business into four main units. Its Connected Car division, which builds multimedia, entertainment, navigation, and safety systems for the automotive industry, accounts for about 45% of revenues. Some of its clients include BMW, Audi and Harley Davidson.

Harman's Lifestyle Audio and Professional Solutions units account for 28% and 14% of revenues, respectively. These divisions manufacture speakers, microphones, headphones and other audio equipment used for personal and professional use.

The smallest division, Connected Services, accounts for 11% of revenues. This unit creates software to help integrate electronics into daily tasks. It also includes analytics to help clients understand how their customers are using electronics.

The stock is held in our Global Equity Fund (2.0% position size). It was purchased in the summer of 2015.

Investment Case

Auto manufacturers are increasing the number of cars using infotainment systems, which include all the hardware and software to run a vehicle's entertainment, communication, navigation, and safety features. According to some estimates, 25% of vehicles currently include these systems. This proportion may grow to 40-50% over the next five years.

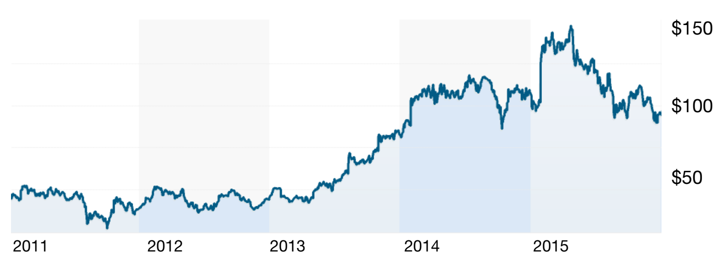
Harman's strength lies in its ability to integrate its products with any of the user interface providers (the three main providers are Apple, Google and MirrorLink). This allows the company to work with high end or low end vehicles, which has led to it recently winning contracts from GM, Volkswagen and Daimler, as well as Chinese and Indian manufacturers.

Risks to Outlook

The automotive industry is cyclical in nature. People tend to buy or upgrade their vehicles when the economy is doing well and push off purchases when it is not. This cyclicality impacts Harman, given a large portion of its revenues come from car manufacturers. An overall slowdown in automotive sales would hurt the company's prospects.

An interesting fact: The company's co-founder, Sidney Harman, was born in Montreal and served as U.S. Undersecretary of Commerce from 1977 – 1978 under President Jimmy Carter.

Harman: Price History



Source: Reuters

Special to the Globe and Mail: Who could have predicted 2015?

By Tom Bradley (published Dec 21)

I've never been one to make market predictions. There's too many variables and interconnections at play (some visible and many not) to determine what's going to happen. My colleague Salman calls the investment industry's addiction to annual forecasts the Pseudo-Precision Smoke Machine.

Having said that, if you'd been able to tell me in advance how some key variables stood at the end of 2015, even I would have thought it possible to predict how we got there. With perfect information, how tough could it be?

Near-zero rates

If you'd told me in January that we'd finish the year without making any progress on normalizing interest rates, I'd have confidently predicted that the U.S. economy would be in decline, with unemployment going through the roof. For rates to have remained at crisis levels for another year, the United States would almost certainly be in crisis.

Well, no. That would have been dead wrong. The United States is doing just fine and employment has been strong. What I missed was the Federal Reserve, the central bank in the United States, losing sight of its real job, which is maintaining a stable monetary system, and instead trying to micromanage the economy.

$35 oil

If you'd told me that oil would be $35 at the end of the year, I'd have predicted that oil production would be dropping like a stone.

Wrong again. Despite mounting supplies, oil keeps pouring out of the ground. Debt-burdened companies and countries have to keep the pumps going to pay the bills.

Rachel and the executives

I would have thought you were referring to a new alt rock band, but no, you were serious. The Premier of Alberta, Rachel Notley, would stand on stage, surrounded by oil executives, and announce a carbon tax. An NDP premier in Alberta? Oil executives supporting her on higher taxes? What was I to make of this?

I should have seen that Wild Rose country had hit the wall and was ready for change. A lack of diversity in the economy, challenges in building more pipeline capacity and a reputation for dirty oil were issues that weren't going away.

72-cent dollar

I also wouldn't have believed it if you'd told me our dollar would be 72 cents by year-end. How could it possibly get there? For that to happen, the NDP must have also won the federal election, the housing market ground to a halt and our banks faltered.

For sure I'm never going to be a forecaster. I wasn't even close. No NDP government, house prices are up 10% in Toronto and 20 per cent in Vancouver and the banks, well, they made $30-billion. I should have known all these factors were irrelevant. The loonie is a petro currency, baby.

Plummeting preferreds

If you'd tried to tell me in January that preferred shares would be one of the worst performing asset classes, I'd have questioned your credibility. Scratching my head, I'd have guessed that interest rates must have gone up a lot, pushing preferred yields higher and prices lower.

Nope, the reason for the preferred meltdown was a feature highlighted in the name of the shares – rate reset. This feature ultimately devastated many retired investors' portfolios. An enduring mystery will be why this country's financial advisers didn't clue their clients in ahead of time.

Not-so-confident Canadians

If you'd told me that diversified portfolios would be up on the year, I'd have called for the Canadian stock market to do reasonably well, fuelled by a recovery in resources and continued good returns from the banks. And for sure, Canadian investors would be feeling comfortable, with the 2008 crisis now seven years past.

Wrong again. Diversified portfolios held up nicely, but the Canadian market has been one of the worst in the world. Returns came mostly from owning foreign securities. And as for investor confidence, Canadians remain grossly underinvested, with more than 60 per cent of their financial assets held in cash and other savings vehicles.

Wow, what a year. Crisis-level rates. Thirty-five dollar oil. A 72-cent dollar. An environmentally sensitive Premier in Alberta. Plummeting preferreds. And the Canadian market at the bottom of the heap. Who predicted all this? Not me, and certainly not the Pseudo-Precision Smoke Machine.

Steadyhand

Where to From Here?

Join Tom Bradley and the Steadyhand team at our Annual Client Presentation next month! Details and RSVP info on steadyhand.com.

Published on January 8, 2016, by Steadyhand Investment Funds Inc.

steadyhand.com

1.888.888.3147
1747 West 3rd Avenue
Vancouver, BC V6J 1K7