

Steadyhand

Q3
2016

“Right now we’re favouring stability and reasonable predictability over go-go growth.”

- Gord O’Reilly (CGOV), manager of the Steadyhand Equity Fund



Bradley's Brief



What a difference a quarter makes. The last time we reported to you, markets were improving, but the one-year return was just slightly above zero (for balanced clients). In the pages that follow, you'll see the portfolios have continued to progress and one-year returns are now in the neighbourhood of 7% to 8%.

This big swing is a good illustration of why we should never read too much into short-term results, good or bad. Let me explain by using actual numbers for the Founders Fund. To June 30th, the one-year return was 0.7% (after fees, before reductions). For the return to September 30th, three of the quarters were the same as the previous report, but the weak summer quarter in 2015 was dropped off and a strong 2016 third quarter added on. Voila, the one-year return is 7.2%, a swing of 6% from one report to the next.

This end-date sensitivity, as we call it, reinforces two basics of assessing performance. First, always compare returns using the same end date. Even a month can make a difference. If someone on the hiking trail is bragging about his returns, before you tell him how you're doing, make sure you know what time frame he's referring to.

And second, swings like this underline why we talk so much about long-term returns – long enough to include a full stock market cycle with up and down periods. In this report and on our website, we report 9-year and since inception numbers. Few of our clients have been with us that long, but these returns provide a more complete picture of how we've done.

Over the last year, there's been lots of drama in the news and markets. Throughout, we've emphasized having a strategic asset mix (SAM), being properly diversified ([Fully Completely](#)) and not getting thrown off by media storms, but rather taking advantage of them – i.e. using bad news and horrific headlines to buy stocks and bubbly times to assess risk and rebalance.

These themes apply today. We don't know where markets are going, although there's a cautionary consensus building amongst our managers, Salman and I. Going forward:

- Profit growth will be modest. Heavy debt loads will limit government and consumer spending, and corporate profit margins in North America are already sky high.
- Near-zero interest rates are causing distortions in the economy and preventing capitalism from functioning properly – i.e. recessions are a necessary part of the process.
- It's difficult again to find attractively-priced assets.
- And last but not least, while elections make great headlines, they rarely impact long-term asset values, but ... the possibility of Donald Trump in the White House cannot be ignored.

Needless to say, we're again in a cautious mood. In the Founders Fund, our cash reserve is back up to 16% and the equity weighting has been reduced to a normal level.

Before getting to the fund reports, I have a couple of things to add. First, we made a big move this quarter, changing the manager of our Small-Cap Fund. I encourage you to read the [briefing notes](#) that explain why we made the change and how it will impact you.

And second, please read your client statement. It's important that you know how you're doing, what you're paying and what your asset mix is. And for selfish reasons, we want you to be in a position to brag about our reporting when family and friends are complaining about their providers' lack of it.

Key Takeaways

Stocks

- Stocks had a strong summer. Corporate earnings were solid and the global economy continued to grow at a modest pace, putting investors in a good mood.
- The Canadian market (S&P/TSX Composite Index) gained 5.5% with technology, industrial and consumer stocks leading the way. Gold stocks, on the other hand, gave back some of their gains from earlier in the year.
- Foreign stocks rose in aggregate, with the MSCI World Index gaining 5.9% in Canadian dollar terms. Asian markets rose the most while many European stocks also saw solid gains, particularly those in Germany and the U.K. The American market (S&P 500 Index) gained 4.7% in Canadian dollars.
- The impact of currency movements was muted: the loonie depreciated slightly against the U.S. dollar, Euro and Yen, but rose modestly against the British Pound.

Market Returns

	3M	1Y
Canada	5.5%	14.2%
World	5.9%	9.7%

Bonds

- The Canadian bond market (FTSE TMX Canada Universe Bond Index) provided a total return (interest and capital appreciation) of 1.2% in the quarter.
- Overall, bond yields declined with the 10-year Government of Canada yield ending the quarter at 1.0% (down from 1.1% at the end of June). Investors benefited from this decline, as bond prices rise when yields fall.
- High yield bonds had another strong quarter as investors remain hungry for yield.

	3M	1Y
Bonds	1.2%	6.3%

Our Funds

- Our funds had a positive quarter with the Global Equity Fund leading the way. Balanced clients experienced returns in the neighbourhood of 3%. Over our history (9 years), the range is 5-6% per year.
- The Founders Fund's stock weighting remains at its long-term target (60%), while it continues to hold a lower weighting in bonds and more cash than normal.
- Our foreign stock exposure has a tilt towards Asia and Europe, rather than the U.S.
- In the context of our balanced portfolios, key transactions included a number of purchases in the Small-Cap Fund, and the sale of VODAFONE in the Global Fund.

Fund Returns

	3M	1Y
Savings	0.2%	0.7%
Income	1.6%	8.1%
Founders	3.3%	7.2%
Equity	4.0%	8.3%
Global	7.5%	5.2%
Small-Cap	0.5%	11.8%

Our Advice to Clients

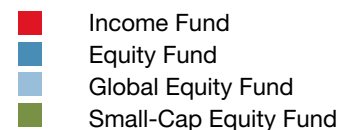
We recommend that your equity weighting be close to your long-term target. In the Founders Fund, our equity exposure is right on its goal of 60%. Our outlook for the bond market remains subdued as current yields are unattractive and interest rates are near historic lows. We continue to recommend a below-average position in bonds. As an alternative, 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.

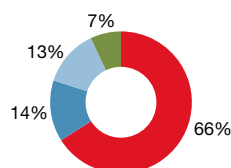


Steadyhand Portfolios (Hypothetical)*

Compound Annualized Returns (as of September 30, 2016)



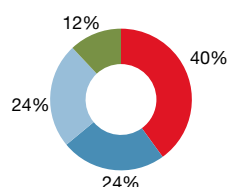
Balanced Income Portfolio (50/50)



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

3M	YTD	1Y	2Y	3Y	5Y	9Y
2.6%	6.2%	8.2%	4.7%	7.4%	8.6%	6.1%

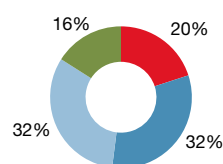
Balanced Equity Portfolio (70/30)



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

3M	YTD	1Y	2Y	3Y	5Y	9Y
3.5%	5.0%	8.1%	4.4%	7.7%	10.1%	5.6%

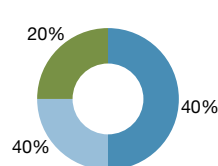
Growth Portfolio (85/15)



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

3M	YTD	1Y	2Y	3Y	5Y	9Y
4.1%	4.2%	8.1%	4.1%	8.0%	11.3%	5.1%

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	9Y
4.7%	3.3%	8.0%	3.8%	8.2%	12.4%	4.7%

Capital Market Performance (as of September 30, 2016)

	3M	YTD	1Y	2Y	3Y	5Y	9Y
Cash (FTSE TMX Canada 91 Day T-Bill Index)	0.1%	0.4%	0.4%	0.6%	0.7%	0.8%	1.2%
Cdn Bonds (FTSE TMX Canada Universe Bond Index)	1.2%	5.3%	6.3%	5.8%	6.0%	4.4%	5.6%
Cdn Stocks (S&P/TSX Composite Index)	5.5%	15.8%	14.2%	2.3%	8.0%	8.1%	3.5%
Cdn Small Cap Stocks (S&P/TSX SmallCap Index)	4.9%	34.3%	35.8%	3.1%	6.7%	4.8%	1.4%
U.S. Stocks (S&P 500 Index \$Cdn)	4.7%	2.2%	13.0%	15.9%	20.5%	21.9%	9.6%
Global Stocks (MSCI World Index \$Cdn)	5.9%	0.5%	9.7%	11.9%	15.4%	17.6%	6.6%

*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

- Both stocks and bonds rose over the quarter. Falling Canadian government bond yields contributed to positive fixed income returns, while equity investors regained confidence in global growth prospects.
- The fund's preference for foreign stocks (34% of the portfolio) helped performance, as global markets performed well and the Canadian dollar depreciated over the period (for Canadians, this increased the value of foreign holdings).
- The Global Equity Fund had a strong quarter, but has lagged the broader market over the last few years and has held back the Founders Fund's return as a result. The Global Fund has faced a strong style headwind (investors have favoured growth stocks, while the fund has had a focus on value stocks), but the tide will turn and we're confident the fund's positioning will pay off. For further specifics on the Global Fund, see pages 11-12.
- 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).
- In the second quarter, we brought the fund's overall stock exposure back down to its long-term target of 60% following a strong run in the markets. We maintained this weighting in the third quarter.
- The fund's cash remains higher than normal. Between the Savings Fund and cash held in the equity funds, it finished the quarter at 16% of total assets. This positioning has hurt performance because cash and short-term securities offer little in the way of yield, while both the stock and bond markets have provided solid returns in recent years. We feel this positioning is prudent in today's environment, however, because cash provides protection against rising interest rates and is a ready source of liquidity in volatile markets.
- We have long been of the view that near-zero interest rates are unsustainable. As a result, the fund's bond allocation (24%) continues to be well below the long-term target of 35%. Fixed income investments are focused in corporate and provincial government securities.

Positioning

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

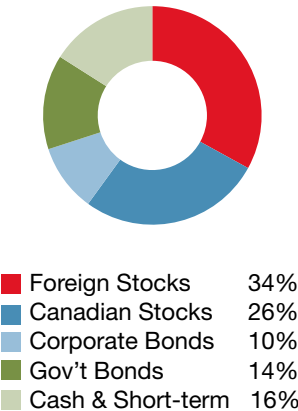
The fund was up 3.3% in the quarter. Since inception (Feb 2012), it has a cumulative return of 43%, which equates to an annualized return of 8.1%.

Fund Mix

Income	31%
Equity	25%
Global	23%
Savings	14%
Small-Cap	7%



Asset Mix



Fund size \$288,871,643



Founders Fund

Attributes

Top Stock Holdings (% of Fund)

Suncor Energy	1.6%
Novartis	1.6%
TD Bank	1.5%
Visa	1.4%
CCL Industries	1.2%
CVS Health	1.2%
Loblaw Companies	1.2%
Novozymes	1.2%
CN Rail	1.1%
Ecolab	1.0%

Sector Allocation (Stocks)

Industrial Goods & Svc	21.9%
Financial Services	20.0%
Oil & Gas	10.0%
Consumer Cyclical	8.6%
Healthcare	8.5%
Technology	8.0%
Retailing	7.5%
Consumer Products	3.8%
Real Estate	3.3%
Comm. & Media	3.2%
Basic Materials	3.1%
Utilities & Pipelines	2.1%

Asset Mix

Long-term		Current
12.5%	Overseas Stocks	23%
12.5%	U.S. Stocks	11%
35%	Canadian Stocks	26%
35%	Bonds	24%
5%	Cash	16%

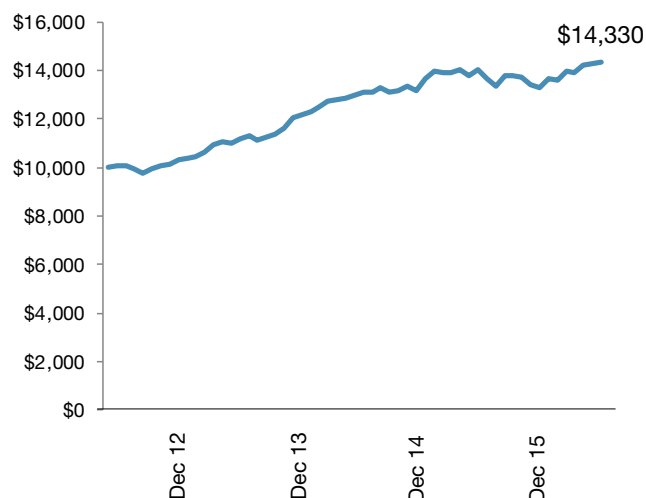
Performance

Compound Annualized Returns (as of September 30, 2016)

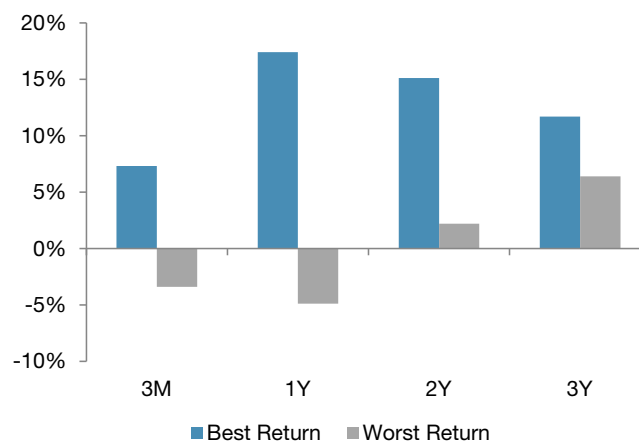
	3M	YTD	1Y	2Y	3Y	5Y	9Y	Incep*
Founders Fund (after-fee)	3.3%	4.5%	7.2%	4.5%	7.3%	N/A	N/A	8.1%
FTSE TMX Canada Universe Bond Index	1.2%	5.3%	6.3%	5.8%	6.0%	N/A	N/A	4.3%
S&P/TSX Composite Index	5.5%	15.8%	14.2%	2.3%	8.0%	N/A	N/A	6.9%
MSCI World Index (\$Cdn)	5.9%	0.5%	9.7%	11.9%	15.4%	N/A	N/A	16.2%

*Feb 17, 2012

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Income Fund

Market Context

- The Canadian bond market rose 1.2% in the quarter (interest and capital appreciation).
- Bond yields declined, with the 10-year Government of Canada yield falling from 1.1% to 1.0%. This was a positive for investors, as bond prices rise when yields fall.
- The Canadian stock market gained 5.5%. Technology, consumer and industrial stocks were the strongest performers.

The fund was up 1.6% in the quarter. Since inception (Feb 2007), it has a cumulative return of 82%, which equates to an annualized return of 6.4%.

Portfolio Specifics

- The fund is having an outstanding year because bond yields have steadily fallen (when yields fall, bond prices rise) and Canadian stocks have been on a tear. We caution investors, however, that returns over the next few years are likely to be more modest given today's extremely low interest rates.
- The manager, Connor, Clark & Lunn (CC&L), favours bonds with 7-10 year maturities ('mid-term' bonds). These bonds rose in value in the quarter as yields declined, but not to the same extent as longer-term bonds, where yields fell even further.
- CC&L's outlook has become increasingly cautious for two main reasons: (1) the downside risks to the U.S. and Canadian economies have grown as consumers and governments are increasingly burdened with heavy debt loads, and (2) there is heightened political uncertainty on the horizon in the U.S. and Europe. Reflective of this, the manager has reduced the fund's corporate and high yield bond holdings through the year. Proceeds have been directed towards government bonds, particularly those issued by the provinces. Despite their lower yields, government bonds are a valued source of safety for investors and are highly liquid (easy to sell).
- Corporate bonds continue to make up a significant portion of the fund (31%). As a result of the manager's cautious outlook, however, investments are focused in traditionally defensive sectors such as insurers, pipelines and utilities. Likewise, investments in high yield bonds favour less risky companies.
- Exposure to high-quality companies with growing dividends continues to be a major theme in the fund's equity strategy. Key areas of investment include banks, insurers, REITs and consumer-related companies. These stocks performed well in the quarter and have provided solid returns that have been less volatile than the overall market over time. The fund's equity holdings make up 23% of the portfolio.
- The fund paid a distribution of \$0.045/unit at the end of September.

Stock Transactions

Buy

First Capital Realty*
Imperial Oil*
SNC-Lavalin Group*

Sell

CI Financial
Canadian Tire Corp.
Thomson Reuters

*New Holding

Positioning

- The manager expects interest rates to remain low and favours bonds with mid-term maturities. Emphasis remains on corporate and provincial bonds, and CC&L has taken defensive steps of late by increasing exposure to high-quality securities.
- Stocks make up roughly one-quarter of the portfolio and high yield bonds comprise 5%. Both asset classes provide diversification and an additional source of yield.

Fund size	\$97,998,052
Pre-fee Yield	2.4%
Avg Term to Mature	10.2 yrs
Duration	7.7 yrs



Income Fund

Attributes

Top Holdings (% of Fund)

CC&L High Yield Bond Fd	5.0%
Ontario 3.15% (06/02/22)	4.6%
Ontario 4.00% (06/02/21)	4.2%
Ontario 3.45% (06/02/45)	3.6%
Quebec 3.50% (12/01/22)	3.5%
CHT 2.00% (12/15/19)	2.8%
CHT 2.35% (12/15/18)	2.6%
Canada 5.00% (06/01/37)	2.1%
Quebec 3.50% (12/01/45)	2.1%
RBC 2.82% (07/12/18)	1.9%

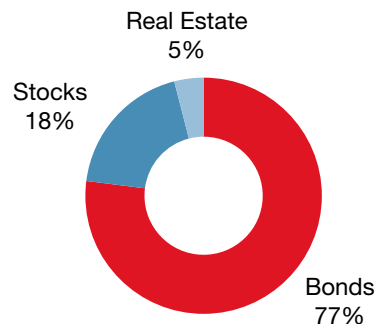
Issuer Allocation (Bonds)

Federal Government	17.1%
Provincial Government	42.4%
Corporate	40.5%

Rating Summary (Bonds)

AAA	20.3%
AA	32.7%
A	26.9%
BBB	16.1%
BB (or lower)	4.0%

Asset Mix



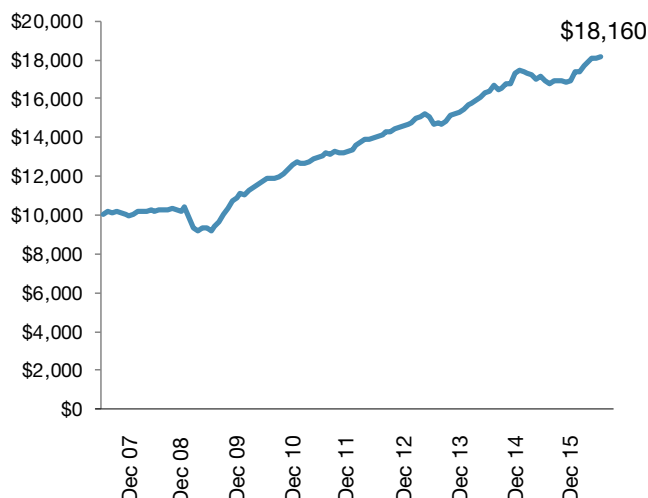
Performance

Compound Annualized Returns (as of September 30, 2016)

	3M	YTD	1Y	2Y	3Y	5Y	9Y	Incep*
Income Fund (after-fee)	1.6%	7.6%	8.1%	5.0%	6.9%	6.6%	6.7%	6.4%
FTSE TMX Canada Universe Bond Index	1.2%	5.3%	6.3%	5.8%	6.0%	4.4%	5.6%	5.4%
S&P/TSX Composite Index	5.5%	15.8%	14.2%	2.3%	8.0%	8.1%	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) gained 5.5% in the quarter. Technology, consumer and industrial stocks were the strongest performers while gold and healthcare companies were laggards.
- Global stocks, as measured by the MSCI World Index, gained 5.9% in Canadian dollar terms. Asian and European markets posted the strongest gains.

The fund gained 4.0% in the quarter. Since inception (Feb 2007), it has a cumulative return of 80%, which equates to an annualized return of 6.3%.

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.
- Canadian investments have driven performance so far in 2016. In the third quarter specifically, WESTSHORE TERMINALS, CAE, and MAGNA INTERNATIONAL were strong performers. Westshore, Canada's leading coal export facility, has rebounded sharply this year (up over 100%) on the back of higher commodity prices.
- Two holdings were the subject of merger/acquisition activity: AGRUM (a retail supplier of fertilizer products) is in merger talks with POTASHCORP; and CBOE (the largest U.S. options exchange) agreed to buy BATS GLOBAL MARKETS (a technology-focused stock exchange). Both deals would lead to big cost savings. The manager (CGOV) is less enthusiastic about the CBOE deal, however, as the two companies have cultures that may not mesh well. The proposed deals will be watched closely.
- Foreign holdings provided positive returns on balance. U.S. investments are focused in world-class companies with stable revenue growth, such as VISA, STARBUCKS and ECOLAB. Generally speaking, these stocks are more expensive from a valuation standpoint, but CGOV is willing to pay a little more for high-quality businesses with more predictable earnings given the current state of the world.
- The biggest detractor to performance in the quarter was HOME CAPITAL GROUP. The mortgage lender, which is the fund's smallest holding, is cheap on several measures but has fallen out-of-favour with investors.
- Turnover was low in the summer. No companies were added to, or removed from the portfolio. Additional shares were purchased in NOVOZYMES and RITCHIE BROS. AUCTIONEERS, while CAE, CN RAIL, and WESTSHORE TERMINALS were trimmed.
- The fund currently has a cash position of 5%.

Transactions

Buy

Novozymes
Ritchie Bros. Auctioneers

Sell

Westshore Terminals
CAE
CN Rail

Positioning

- Focus remains on companies that offer goods or services with a compelling competitive advantage, and which are in good financial shape.
- Foreign stocks remain a key part of the fund, providing exposure to multinational companies not available in Canada in the healthcare, retailing and consumer sectors.

Fund size	\$82,991,792
No. of stocks	25



Equity Fund

Attributes

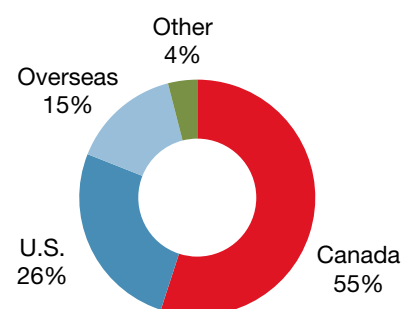
Top Stock Holdings

Suncor Energy	5.8%
Visa	5.5%
CCL Industries	4.9%
CVS Health	4.8%
Novozymes	4.7%
Ecolab	4.2%
Magna International	4.1%
PrairieSky Royalty	4.1%
Ritchie Bros. Auction	4.0%
TD Bank	3.9%

Sector Allocation (Stocks)

Industrial Goods & Svc	32.8%
Financial Services	19.5%
Oil & Gas	12.9%
Retailing	11.8%
Basic Materials	7.8%
Consumer Products	6.9%
Consumer Cyclical	4.4%
Healthcare	3.9%

Geographic Profile (Stocks)



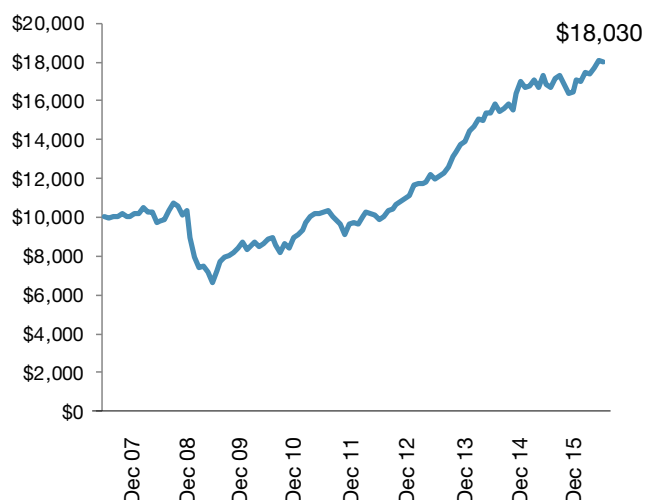
Performance

Compound Annualized Returns (as of September 30, 2016)

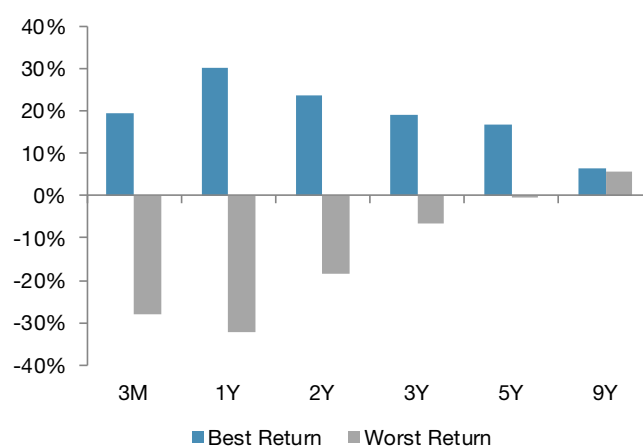
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MSCI World Index (\$Cdn)	5.9%	0.5%	9.7%	11.9%	15.4%	17.6%	6.6%	5.4%

*Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Global Equity Fund

Market Context

- Global stocks, as measured by the MSCI World Index, were up 5.9% in Canadian dollar terms in the quarter.
- Asian and European markets were strong performers, with many rising close to 10%. The U.S. market (S&P 500 Index) was up to a lesser extent (3.9%) in U.S. dollar terms.
- The Canadian dollar depreciated modestly against most major currencies. This increased the value of foreign stocks in Canadian dollar terms.

The fund was up 7.5% in the quarter. Since inception (Feb 2007), it has a cumulative return of 18%, which equates to an annualized return of 1.8%.

Portfolio Specifics

- The fund holds 41 stocks across 14 countries. European stocks (including the U.K.) make up 41% of the fund, while Asia also accounts for 41% and the U.S. 18%.
- Global growth concerns subsided somewhat. This helped economically-sensitive stocks (“cyclicals”) such as GALAXY ENTERTAINMENT, HARMAN and CK HUTCHINSON.
- Emerging market holdings fared well, notably SK HYNIX (South Korea), BANK MANDIRI (Indonesia) and Galaxy (Hong Kong).
- After being out-of-favour for a while, many bank stocks rebounded as investors’ confidence improved. Financial services companies are the fund’s largest area of investment. Holdings including HSBC, BNP PARIBAS, and SUMITOMO MITSUI GROUP saw double-digit gains in the summer. It wasn’t all roses, however. Germany’s largest bank, Deutsche Bank, struggled in light of fines and lagging profitability. Though it isn’t owned in the fund, negative sentiment spread to other German banks, including COMMERZBANK, which is held in the fund.
- Healthcare holdings (18% of the fund) had a negative impact on performance. Pharmaceutical companies are under scrutiny for their pricing practices. They continue, however, to produce strong earnings, pay large dividends and have growing product pipelines.
- The manager, Edinburgh Partners Ltd., sold U.K. telecom giant VODAFONE. While EPL still believes VODAFONE is a good company, its price is no longer attractive. TELEFONICA was purchased in its place. The Spanish telecom, which has stabilized its domestic business and is improving its Latin American units, presents a more compelling opportunity.
- The fund currently has a cash position of 2%.

Transactions

Buy

Telefonica*
Mitsubishi

Sell

Vodafone
Johnson Controls

*New Holding

Positioning

- The fund has a much different look than the overall global market. Specifically, the manager has found favourable investment opportunities in Asia and Europe as opposed to the U.S. As well, the portfolio has a value bias, favouring companies that are cheap on numerous valuation measures. While these stocks have been out-of-favour, the tide will turn at some point. We saw positive signs of this in the summer.

Fund size	\$62,249,572
No. of stocks	41



Global Equity Fund

Attributes

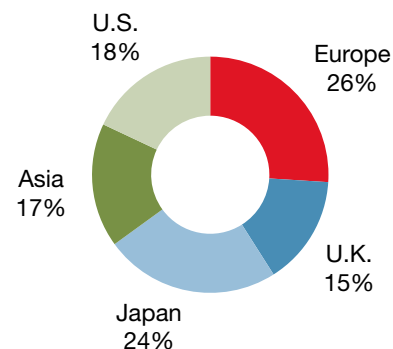
Top Stock Holdings

Shell	3.4%
AstraZeneca	3.2%
Apache	3.2%
BP	3.1%
Novartis	3.0%
Panasonic	2.9%
Galaxy Entertainment	2.8%
SK Hynix	2.8%
Roche	2.7%
NTT	2.6%

Sector Allocation (Stocks)

Financial Services	21.9%
Healthcare	18.2%
Consumer Cyclical	16.8%
Technology	12.4%
Oil & Gas	9.8%
Industrial Goods & Svc	9.7%
Comm. & Media	4.6%
Retailing	4.2%
Consumer Products	2.4%

Geographic Profile (Stocks)



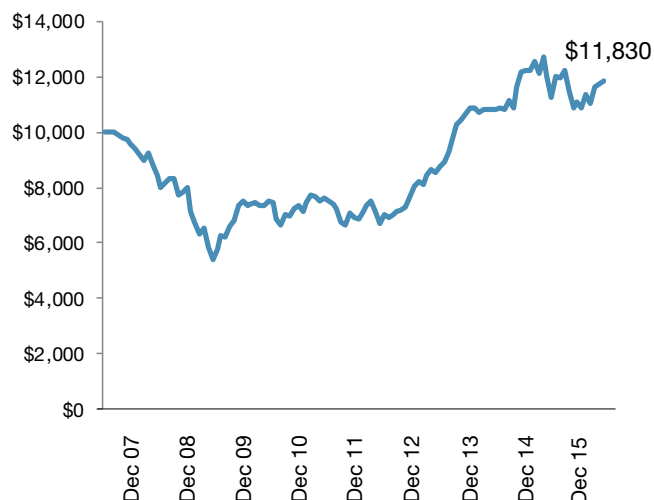
Performance

Compound Annualized Returns (as of September 30, 2016)

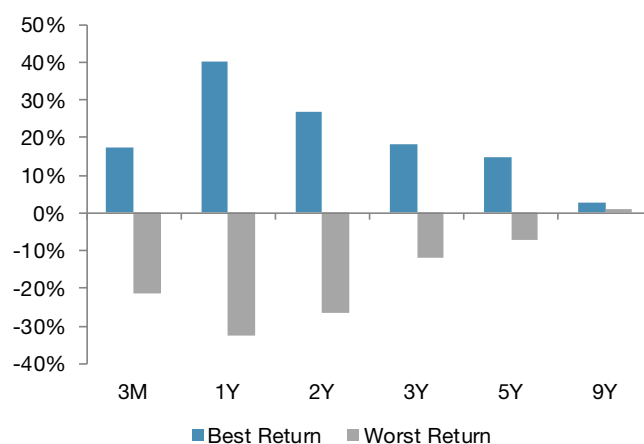
	3M	YTD	1Y	2Y	3Y	5Y	9Y	Incep*
Global Equity Fund (after-fee)	7.5%	-3.3%	5.2%	4.3%	8.4%	12.2%	2.9%	1.8%
MSCI World Index (\$Cdn)	5.9%	0.5%	9.7%	11.9%	15.4%	17.6%	6.6%	5.4%

*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 (S&P/TSX SmallCap Index) rose 4.9% in the quarter.
- Most sectors of the market were strong, with the exception of gold stocks, which pulled back after a big run in the first half of the year.

Portfolio Specifics

- We made the difficult decision to change the manager of the fund in mid August. Galibier Capital Management has taken over portfolio advisor responsibilities, replacing Wutherich & Company. By appointing Galibier, we believe we can more fully take advantage of a broader set of opportunities, specifically by researching and owning more mid-cap stocks in Canada (medium-sized companies) and small-cap stocks in the U.S.
- Following the manager change, several stocks were sold and a number of new companies added to the portfolio. The transition is now largely complete. The fund holds 22 stocks with market capitalizations ranging from \$175 million (POINTS INTERNATIONAL) to \$3.5 billion (STANTEC). Fourteen of the 22 holdings are under \$1 billion. Twenty are Canadian and two are American, although Galibier anticipates adding more U.S. stocks in the coming quarters.
- As mentioned, Galibier feels there are compelling opportunities in the mid-cap sector of the Canadian market (stocks with market capitalizations between \$1- to \$5 billion). New investments here include DH CORP. (a financial technology provider), DREAM GLOBAL REIT (owner and operator of commercial real estate in Germany and Austria), ENGHOUSE SYSTEMS (developer of software for telecoms and utilities companies), and EXCHANGE INCOME CORPORATION (provider of aviation services and equipment).
- Notably, the fund now has less exposure to resources. Gold holdings PRIMERO MINING and NEW GOLD were sold, as were oil-related investments GRAN TIERRA ENERGY, TOTAL ENERGY SERVICES and PARKLAND FUEL.
- Greater focus has been placed on software and related services (e.g. ENGHOUSE, DH CORP.), and transportation-related companies (e.g. CARGOJET, ECHO GLOBAL LOGISTICS).
- The fund currently has a cash position of 4%.

Positioning

- The fund has exposure to a wide array of economic sectors, ranging from business services, to technology equipment, to transportation, to food & beverage.
- Focus is on companies with a sustainable competitive advantage, above average long-term growth prospects, and appropriate financial leverage (debt). In the current environment, this precludes many resource companies.

The fund was up 0.5% in the quarter. Since inception (Feb 2007), it has a cumulative return of 76%, which equates to an annualized return of 6.0%.

Transactions

Buy

DH Corp*
Enghouse Systems*
Echo Global Logistics*
DHX Media*
Cargojet*
Liquor Stores N.A.*

Sell

ZCL Composites
New Gold
Primero Mining
Hibbett Sports
Total Energy Services

*New Holding

Fund size	\$45,681,772
No. of stocks	22



Small-Cap Equity Fund

Attributes

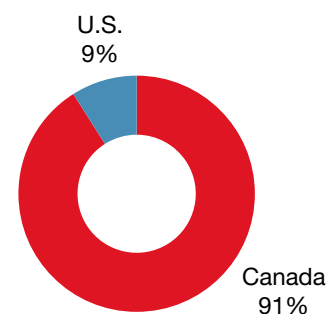
Top Stock Holdings

Pure Technologies	7.4%
Stantec	6.5%
MacDonald Dettwiler	6.4%
Echo Global Logistics	5.5%
Points International	5.3%
Enghouse Systems	5.1%
DH Corp.	5.1%
DirectCash Payments	5.1%
Liquor Stores N.A.	4.8%
Cargojet	4.2%

Sector Allocation (Stocks)

Industrial Goods & Svc	32.4%
Technology	28.8%
Consumer Cyclical	13.3%
Financial Services	9.6%
Retailing	5.4%
Comm. & Media	4.4%
Real Estate	4.2%
Oil & Gas	1.9%

Geographic Profile (Stocks)



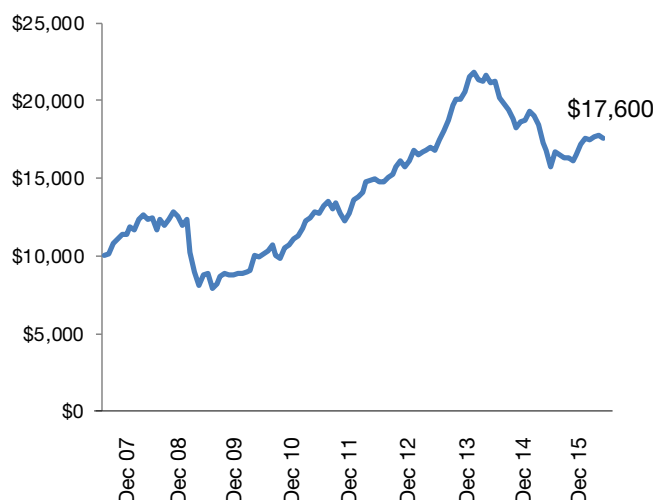
Performance

Compound Annualized Returns (as of September 30, 2016)

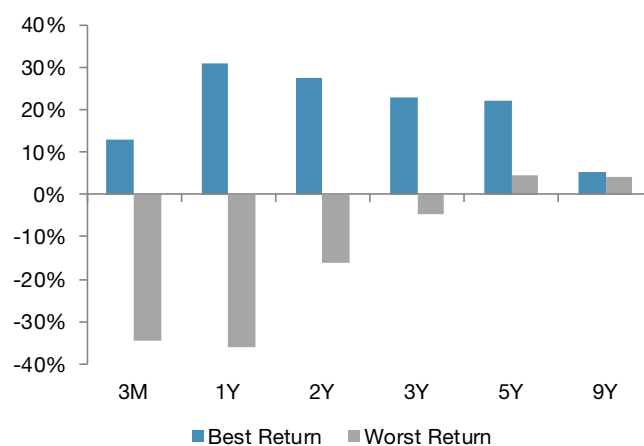
	3M	YTD	1Y	2Y	3Y	5Y	9Y	Incep*
Small-Cap Equity Fund (after-fee)	0.5%	8.2%	11.8%	-6.6%	-2.0%	7.5%	4.0%	6.0%
S&P/TSX SmallCap Index	4.9%	34.3%	35.8%	3.1%	6.7%	4.8%	1.4%	1.7%

*Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Savings Fund

Market Context

- The Bank of Canada left its key lending rate unchanged in the quarter, at 0.5%.
- Canada's economy shrank in the second quarter of the year, but the Bank of Canada expects a rebound in the latter half of 2016 as oil production recovers and rebuilding commences in Alberta following the spring wildfires. Canadian households remain heavily indebted, however, which poses a risk to continued economic growth.

Positioning

- The weighting in bank paper was modestly reduced, while investments in corporate notes were increased.
- Investments in T-Bills are focused in provincial, rather than federal, securities.
- The manager, Connor, Clark & Lunn, expects the Bank of Canada to remain vigilant in maintaining its low interest rate policy, and the portfolio will remain positioned to take advantage of potential further monetary easing (even lower rates).
- The pre-fee yield of the fund at the end of September was 0.8%.

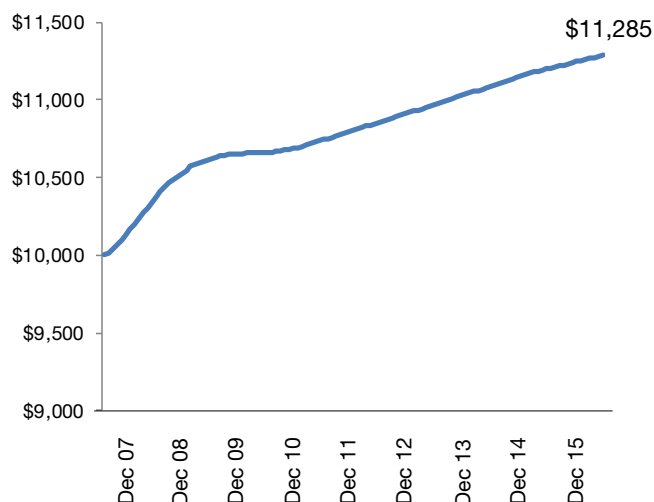
Performance

Compound Annualized Returns (as of September 30, 2016)

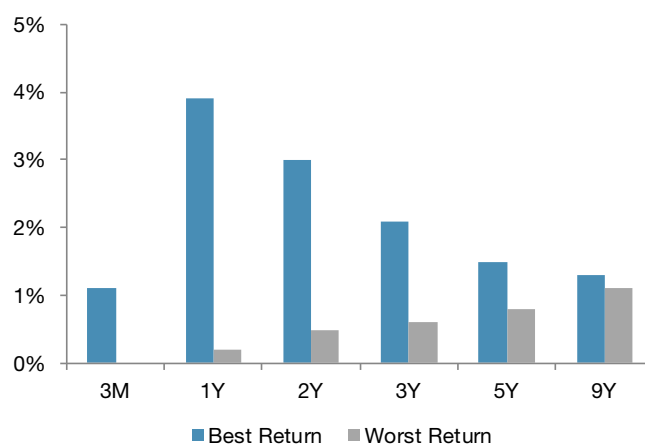
	3M	YTD	1Y	2Y	3Y	5Y	9Y	Incep*
Savings Fund (after-fee)	0.2%	0.5%	0.7%	0.8%	0.9%	0.9%	1.1%	1.3%
FTSE TMX Canada 91 Day T-Bill Index	0.1%	0.4%	0.4%	0.6%	0.7%	0.8%	1.2%	1.4%

*Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Stock Snapshot



Overview

Trucks appear simple on the surface: big vehicles carrying materials from one location to another. In reality, a truck can be carrying goods for multiple customers located in different locations. While making a delivery, a truck may also need to pick up goods en route. Further complicating the planning process is the different truck capacities and types (e.g. enclosed box, flatbed, refrigerated).

Echo Global Logistics helps manage this complicated process. It serves as the intermediary between companies that need goods shipped and the carriers. It extends this service to air and ocean transportation as well.

Echo serves small- to mid-sized clients who don't have their own vehicles to move their goods. In partnering with a logistics provider, their customers get an expert managing their transportation needs. Logistics companies also save their clients money by buying capacity from shipping carriers at wholesale rates and passing on some of the savings.

Since starting in 2005, Echo has rapidly grown its roster of clients. Today it has more than 2,800 employees and helps move 12,000 shipments a day.

The stock is held in our Small-Cap Equity Fund (5.5% position size).

Investment Case

The shipping logistics industry is highly fragmented. Echo's strong balance sheet, large network of shippers, and tenured management gives it a leg up over competitors as the industry consolidates.

Indeed, Echo has gained market share by successfully acquiring smaller competitors. Its technology, scale,

and client relationships allow Echo to quickly integrate these acquisitions and make them more profitable. The company's balance sheet allows it to make these deals without burdening itself with debt.

Echo isn't just focusing on growing through acquisition. It continues to add sales personnel to help build more partnerships with carriers.

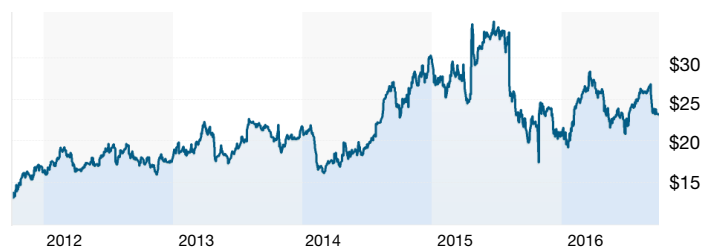
Risks to Outlook

Echo has carved out a niche, but there are some larger player in the logistics industry including C.H. Robinson and Landstar. Echo risks paying too much for acquisitions if these larger peers also show interest in making similar deals.

A slowdown in the economy can also hurt Echo's business. In slow economic times, fewer products are shipped as consumers buy fewer goods.

An interesting fact: Echo co-founders Eric Lefkofsky and Brad Keywell also co-founded Groupon along with Andrew Mason.

Echo Global Logistics: Price History



Source: Reuters



The market trends that are about to end and those that are just beginning

Special to the Globe and Mail, by Tom Bradley (Sept. 29, 2016)

Since the market began its recovery following the 2008 financial crisis, a number of trends have dominated the landscape. Many have gone on way longer than expected, and have scaled heights never seen before. Some looked to be on their last legs 2-3 years ago, but are still going strong. They're the Rolling Stones of investing.

To make sense of what's going on in the economy and capital markets, I separated these trends into two lists – sustainable and unsustainable. In other words, which ones are early in the concert and which are on their second encore.

Running on Empty

Interest rates – It's hard to see why rates will go up any time soon, but the laws of capitalism are pretty compelling. Over the long term, bondholders require a yield that is well in excess of inflation. Today, we're two to three percentage points below that.

Borrowing – Near-zero interest rates have allowed us to postpone the day of reckoning. To date, the solution to our debt problem has been to issue more debt. Government and consumer borrowing continues to grow at a faster pace than the economy.

Central bank intervention – The trend toward central bank micro-management began in the era of George W. Bush/Alan Greenspan, but became a broad-based theme following the financial crisis. As any profligate lender discovers, the game eventually comes to an end.

Chinese investment spending – Staying on the debt theme, China has been propping up its economy since 2008 through unprecedented investment spending. As a result, debt levels have skyrocketed and the state of infrastructure (planes, trains and automobiles) is now beyond what their economy requires.

U.S. corporate profits – They've been nothing short of stunning (even after a flattening of the trend in the past two years). On the backs of labour and share buybacks, Corporate America is on a roll.

Growth beating value – Over decades, buying value stocks (low price-to-earnings and price-to-book value ratios) proved to be a reliable way to beat the market. Since 2009, however, growth stocks have consistently outperformed value such that the valuation gap between the two is now extremely wide.

Time On My Side

The trends on the other side have also been going on for a

while, but in my view, are still in their early days.

Cheap energy – Conservation. Technological change. Improving economics for alternative sources. The world economy will continue to enjoy an energy dividend.

Climate change – I'm optimistic that the right steps are being taken to end this powerful trend, but it will take years and significantly more attention and capital to stop it.

Online everything – The Amazon effect is just getting rolling. How we consume goods and services is going through a paradigm shift.

Technology impact – More broadly, the Internet, big data, mobile, GPS, social networks and the Internet of Things are changing how we operate businesses, administer governments and manage our households. The impact and velocity of that change is accelerating, not waning.

Aging boomers – I'm sorry to say, but we're getting older. The baby boomers will reshape retirement living, just as they have so many other things (housing, vacations and music). For instance, this demographic trend, when paired with medical innovation, virtually guarantees that health-care products and services will continue to be a high-growth part of the economy.

Emerging markets growth – The emergence of the middle class in China and India has the potential to overwhelm the poor demographic trends in Western countries.

ETFs – Canada is far behind the U.S. when it comes to using exchange-traded funds to build index portfolios. With new client reporting rules coming into effect next year, and the potential elimination of trailer commissions on mutual funds, ETFs have years of catch-up ahead of them.

Both Sides, Now

Beyond sparking debate, this simple categorization provides a useful check and balance for investors. Is your portfolio stacked heavily toward the unsustainables? Are there lots of commodities and no health care? Does it rely on the indebted Canadian consumer and have little exposure to China and India's emerging middle class? And, as most portfolios are, is it strictly designed for declining interest rates and easy credit?

A well-diversified portfolio should be represented on both sides of the ledger. Otherwise, you can't get no satisfaction.

(Note: in a [follow-up piece](#), Tom links these trends to what we're doing in our portfolios.)

Steadyhand



Meet our new small-cap manager

Join us for lunch on **Thursday, October 13**, at the King Edward Hotel in Toronto for a “fireside chat” with the new manager of our Small-Cap Fund, Joe Sirdevan. Check our [website](#) for further details and RSVP info.

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.

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