Steadyhand
10 YEARS

Q1
2017

We're 10! As our funds reached the decade mark this quarter, we reflect back on Steadyhand's mission (page 2) and assess our first set of 10-year numbers (page 17).

Bradley's Brief

We're 10! Yup, we've been doing this for a decade now. Time flies when you're having fun.

It's been an interesting decade to be an investment manager. We had the worst banking meltdown I've seen in my career. Governments and central bankers interfered with markets and the economic cycle like never before. Interest rates went lower … and lower … and then stayed there. And of course, the stock markets provided their usual roller coaster ride, with 2008/09 being the lowlight and the great bull market that followed being the highlight.

We've often talked about assessing investment results over a full market cycle. Dare I say, our history represents a full cycle – it has encompassed all types of markets. And over that period, Steadyhand clients with balanced portfolios earned in the range of 5% to 6% per year (before taking any fee reductions into account).

As co-founder of the firm and its Chief Investment Officer, I'm pleased with these results. Our goal is to deliver long-term returns that are better than what our clients can achieve elsewhere. There are a few firms that had better fund returns, but if actual client returns are used in the comparison (i.e. after all fees and transactions), I think there would be even fewer running ahead of us.

I don't mean to imply that we were running on all cylinders throughout the period. Salman and I, and our four fund managers, have learned valuable lessons and have lots to improve on. Please note, on page 17, Scott has done a detailed review of how our returns stack up.

Going beyond the results, there are a number of personal takeaways from our first decade. First off, I'm proud of our team. They've grown together and as owners in the business have been totally dedicated to you, our clients. It has been their energy, personality and commitment to our mission that has shaped the character and culture of the firm.

Hand-in-hand with our people comes the 3,000 clients who have joined us. We don't take the quality of our client base for granted. You've entrusted your money with us and shared your experiences and life lessons.

More than anything, however, I'm proud of the fact that we've succeeded (so far) in addressing the biggest weakness in the wealth management industry. Because of our undexing philosophy, tight fund line-up, investment managers, fee schedule, communications and personal advice, we have a client base that stays on plan. There has been no slippage between how our funds did and how our clients did. We've lived up to our name.

While you've been sticking to the plan, we have too. We're constantly trying to improve the firm, but our investment approach and business practices have not changed.

Not surprisingly, we're in the mood to celebrate and share what we've learned. I'm hoping you can join us for one of our *10 Years Wiser* events that we're hosting in May in Toronto, Vancouver, Victoria, Calgary, Winnipeg and Ottawa. The name may be a little presumptuous (wise?), but as I said at the top, it was a rich period to learn about investing and ourselves.

If you can come, don't hesitate to bring along your friends and family. Sher has made sure we have lots of cheer in reserve.

Key Takeaways

Stocks

- Stocks had a good start to the year, with developed markets providing solid returns.
- The Canadian market (S&P/TSX Composite Index) gained a respectable 2.4% but lagged its global peers due to its significant exposure to the energy sector (which had a weak quarter).
- Foreign stocks fared well, with Asian and emerging markets the standouts. The MSCI World Index gained 5.7% in Canadian dollar terms. The American market (S&P 500 Index) was up 5.2% and most European markets posted solid gains.
- Currency movements were muted, with the Canadian dollar moving less than 1% against the U.S. dollar, Euro and British Pound. The loonie fell 4% against the Yen.

Market Returns

	3M	1Y
Canada	2.4%	18.6%
World	5.7%	18.6%

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.
- Bond yields declined modestly in both the government and corporate sectors. The 10-year Government of Canada bond yield ended the quarter at 1.6%, down from 1.7% at the beginning of the year. This was a slight positive for investors, as bond prices rise when yields fall.
- High yield bonds lagged the broader market following a period of strong returns.

	3M	1Y
Bonds	1.2%	1.5%

Our Funds

- Our funds all had a positive quarter, with the Global Fund leading the way. Balanced clients experienced returns in the range of 2-3%. Over the past 10 years, the range is 5-6% per year.
- The stock weighting in the Founders Fund was trimmed to 57% as we feel valuations are on the expensive side. The fund 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 in the quarter included the purchase of TOTAL (France) and BAIDU (China), and the sale of TOYOTA (Japan).

Fund Returns

	3M	1Y
Savings	0.2%	0.7%
Income	1.3%	4.2%
Founders	2.4%	9.8%
Equity	3.8%	12.8%
Global	4.9%	19.1%
Small-Cap	1.2%	14.4%

Our Advice to Clients

We recommend that your equity weighting be no higher than your long-term target. In the Founders Fund, our equity exposure is modestly below its goal of 60%. Our outlook for bonds remains subdued as current yields are unattractive. As a result, we continue to recommend a below-average position in bonds. As an alternative, we suggest a healthy cash holding. In the Founders Fund, for example, 18% of the portfolio is currently held in cash.

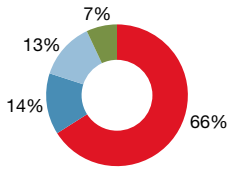
For our thoughts on asset mix and the advice we're giving clients, visit the Current Outlook page on our website, or give us a call at 1.888.888.3147.

Steadyhand Portfolios (Hypothetical)*

Compound Annualized Returns (as of March 31, 2017)

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

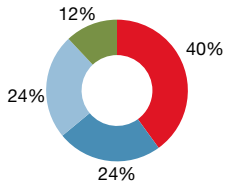
Balanced Income Portfolio (50/50)



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

3M	YTD	1Y	2Y	3Y	5Y	10Y
2.1%	2.1%	8.0%	3.0%	5.0%	7.4%	5.8%

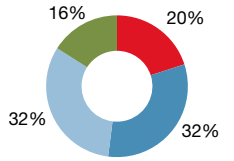
Balanced Equity Portfolio (70/30)



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

3M	YTD	1Y	2Y	3Y	5Y	10Y
2.7%	2.7%	11.0%	3.7%	5.3%	9.0%	5.5%

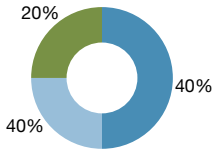
Growth Portfolio (85/15)



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

3M	YTD	1Y	2Y	3Y	5Y	10Y
3.2%	3.2%	13.3%	4.3%	5.5%	10.1%	5.3%

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	10Y
3.7%	3.7%	15.7%	4.8%	5.6%	11.3%	5.1%

Capital Market Performance (as of March 31, 2017)

	3M	YTD	1Y	2Y	3Y	5Y	10Y
Cash (FTSE TMX Canada 91 Day T-Bill Index)	0.1%	0.1%	0.5%	0.5%	0.6%	0.8%	1.3%
Cdn Bonds (FTSE TMX Canada Universe Bond Index)	1.2%	1.2%	1.5%	1.1%	4.1%	3.5%	4.8%
Cdn Stocks (S&P/TSX Composite Index)	2.4%	2.4%	18.6%	5.3%	5.8%	7.8%	4.7%
Cdn Small Cap Stocks (S&P/TSX SmallCap Index)	1.5%	1.5%	29.5%	10.5%	3.3%	3.4%	1.8%
U.S. Stocks (S&P 500 Index $Cdn)	5.2%	5.2%	20.4%	11.9%	17.5%	20.0%	9.1%
Global Stocks (MSCI World Index $Cdn)	5.7%	5.7%	18.6%	8.5%	12.9%	16.5%	6.3%

*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.

The fund was up 2.4% in the quarter. Since inception (Feb 2012), it has a cumulative return of 50%, which equates to an annualized return of 8.2%.

Portfolio Specifics

- The fund's preference for foreign stocks (which make up 30% of the portfolio) benefited performance in the quarter. Canadian stocks also posted positive returns, but didn't keep up with their global peers.
- Our Global Equity Fund, which makes up 21% of the portfolio, was the greatest contributor to performance. It benefited in particular from a rebound in European pharmaceuticals and strong performance from its holdings in the emerging markets.
- At home, mining and precious metals stocks were among the top performers. The fund has only limited exposure to these companies given their inherent volatility.
- The fund's Canadian equity exposure (27%) 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).
- The fund did not take full advantage of the rise in equity markets as it ended the period with 57% in stocks. Our managers do not see the same breadth of opportunities they did in early 2016 and generally find stock valuations higher than average. This was reflected in the Founders Fund lowering its weighting in stocks from its long-term target of 60%.
- 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.
- The fund's cash level was increased. Between the Savings Fund and cash held in the equity funds, it finished the quarter at 18% 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.

Fund Mix

Income	34%
Equity	21%
Global	21%
Savings	16%
Small-Cap	8%

Asset Mix

Foreign Stocks	30%
Canadian Stocks	27%
Corporate Bonds	11%
Gov't Bonds	14%
Cash & Short-term	18%

Positioning

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

Fund size	$332,860,645

Founders Fund

Attributes

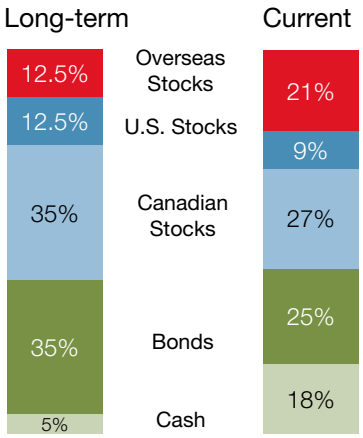
Top Stock Holdings (% of Fund)

TD Bank	1.9%
Novartis	1.5%
Suncor Energy	1.3%
Visa	1.2%
Loblaw Companies	1.2%
CN Rail	1.1%
CCL Industries	1.0%
Ecolab	0.9%
CBOE Holdings	0.9%
CVS Health	0.9%

Sector Allocation (Stocks)

Financial Services	22.8%
Industrial Goods & Svc	21.1%
Oil & Gas	11.0%
Healthcare	8.5%
Retailing	7.2%
Consumer Cyclical	7.1%
Technology	6.4%
Consumer Products	4.1%
Real Estate	4.1%
Basic Materials	2.8%
Utilities & Pipelines	2.8%
Comm. & Media	2.1%

Asset Mix



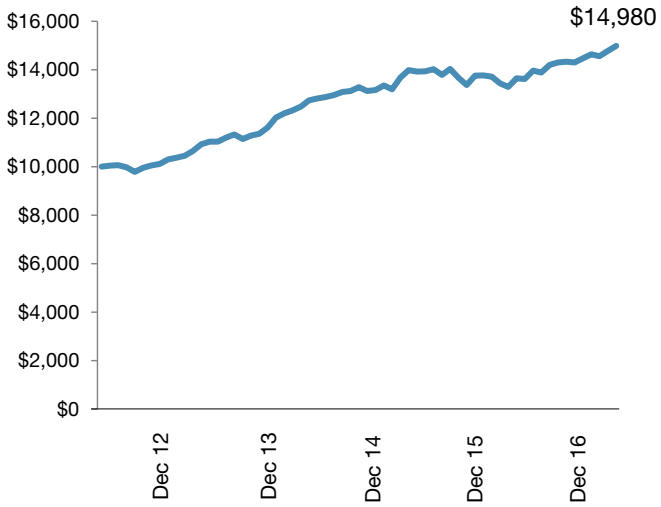
Performance

Compound Annualized Returns (as of March 31, 2017)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
Founders Fund (after-fee)	**2.4%**	**2.4%**	**9.8%**	**3.7%**	**5.4%**	**8.3%**	**N/A**	**8.2%**
FTSE TMX Canada Universe Bond Index	1.2%	1.2%	1.5%	1.1%	4.1%	3.5%	N/A	3.4%
S&P/TSX Composite Index	2.4%	2.4%	18.6%	5.3%	5.8%	7.8%	N/A	7.6%
MSCI World Index ($Cdn)	5.7%	5.7%	18.6%	8.5%	12.9%	16.5%	N/A	16.7%

*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).
- The 10-year Government of Canada bond yield decreased from 1.7% to 1.6%. This was a slight positive for investors, as bond prices rise when yields fall.
- The Canadian stock market rose 2.4%. Technology, consumer discretionary and utilities stocks were the greatest areas of strength.

The fund was up 1.3% in the quarter. Since inception (Feb 2007), it has a cumulative return of 81%, which equates to an annualized return of 6.0%.

Portfolio Specifics

- Bonds comprise 74% of the fund. This component provided a positive return, as yields declined modestly for bonds of most types and maturities (with the exception of very long-term bonds).
- A preference for "credit", or non-federal government bonds, has been a key factor in the fund's market-beating returns since inception, and was a positive factor in the first quarter. Corporate bonds (including high yield) make up roughly 30% of the portfolio, and provincial government bonds comprise a similar amount. The spreads on corporate bonds (the difference in yield between these securities and federal government bond yields) narrowed, which is positive for performance. Likewise, spreads on provincial bond yields also narrowed as the provinces of Ontario, Quebec and B.C. in particular reported steady growth.
- The fundamentals and outlook for corporate bonds remains strong, but the manager (Connor, Clark & Lunn) has been focusing on higher-quality securities. High-yield, or lower-quality bonds, have had a strong run and look increasingly expensive. CC&L further trimmed the fund's high-yield holdings, which now comprise 2% of the fund.
- Stocks make up 26% of the portfolio. Sectors of focus include financial services, real estate, pipelines and industrial goods. The fund doesn't own any highly cyclical companies in the mining sector, which held back performance slightly in the quarter as these stocks outperformed. Rather, the major investment theme continues to be exposure to high-quality companies with growing dividends.
- Recent stock additions include companies that will benefit from increased infrastructure spending, such as SNC LAVALIN and FINNING.
- The fund paid a distribution of $0.045/unit at the end of March. Its pre-fee yield is 2.6%.

Stock Transactions

Buy

Power Financial*
SNC Lavalin
First Capital Realty

Sell

Waste Connections
Manitoba Telecom
Restaurant Brands International

*New Holding

Positioning

- The manager expects interest rates to remain low and favours corporate and provincial bonds, with a focus on higher-quality securities.
- Stocks make up roughly one-quarter of the portfolio, providing the fund with an additional source of yield and diversification.

Fund size	$95,723,754
Pre-fee Yield	2.6%
Avg Term to Maturity	9.8 yrs
Duration	7.4 yrs

Income Fund

Attributes

Top Holdings (% of Fund)

Ontario 2.40% (Jun/26)	3.6%
Ontario 3.45% (Jun/45)	3.4%
Quebec 3.00% (Sep/23)	2.8%
Canada 3.50% (Dec/45)	2.5%
BMO 3.40% (Apr/21)	2.4%
TD Bank	2.3%
Canada 0.50% (Mar/22)	2.2%
Ontario 2.85% (Jun/23)	2.1%
CC&L High Yield Bond Fd	2.0%
Quebec 3.50% (Dec/22)	1.9%

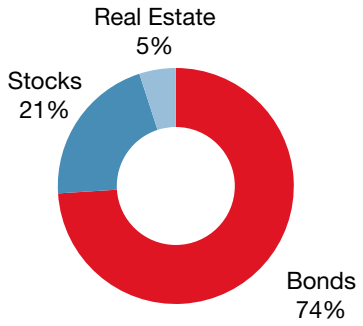
Issuer Allocation (Bonds)

Federal Government	15%
Provincial Government	41%
Corporate	44%

Rating Summary (Bonds)

AAA	20%
AA	42%
A	22%
BBB	14%
BB (or lower)	2%

Asset Mix



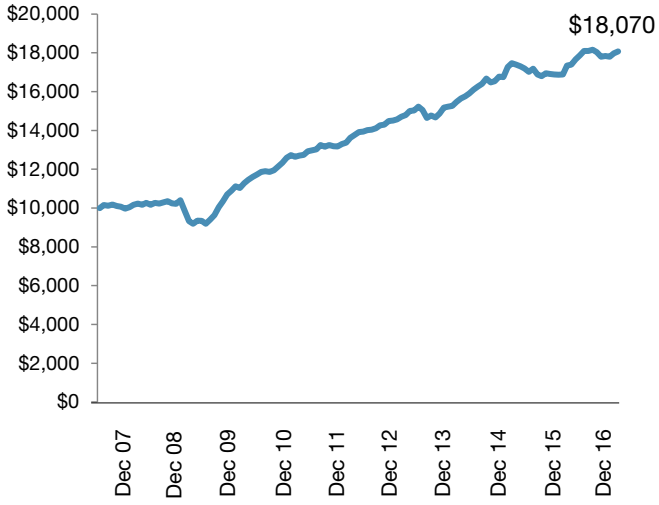
Performance

Compound Annualized Returns (as of March 31, 2017)

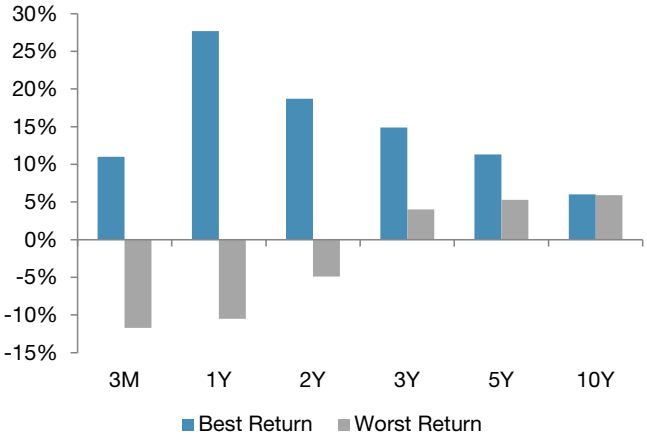
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
Income Fund (after-fee)	**1.3%**	**1.3%**	**4.2%**	**1.9%**	**4.7%**	**5.3%**	**6.0%**	**6.0%**
FTSE TMX Canada Universe Bond Index	1.2%	1.2%	1.5%	1.1%	4.1%	3.5%	4.8%	4.9%
S&P/TSX Composite Index	2.4%	2.4%	18.6%	5.3%	5.8%	7.8%	4.7%	4.8%

*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 2.4% in the quarter. Metals and mining companies contributed to performance while energy stocks lagged.
- Global stocks, as measured by the MSCI World Index, gained 5.7% in Canadian dollar terms with Asian, European and U.S. equity markets posting strong gains.

The fund gained 3.8% in the quarter. Since inception (Feb 2007), it has a cumulative return of 93%, which equates to an annualized return of 6.7%.

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.
- Foreign holdings drove performance in the first quarter of 2017. Specifically, NOVOZYMES, LINCOLN ELECTRIC, and VISA saw strong gains. Lincoln Electric has gained more than 40% since the U.S. election with investors expecting the welding company to benefit from an increase in infrastructure spending.
- UNILEVER was also a standout, rising more than 20%. The global consumer products giant is committing to speed up profitability goals after an unsuccessful bid by Kraft Heinz to purchase the company.
- The Mexican peso rebounded sharply, a reversal of the trend since President Trump's election victory. This benefited Mexican holding FEMSA, which bottles and distributes Coca-Cola and operates a large chain of convenience stores in Latin America.
- In Canada, FRANCO-NEVADA had a good quarter as gold prices climbed higher. Not all resource companies fared well, however. The price of oil pulled back sharply in March and energy-related stocks SUNCOR, PRARIESKY and PASON SYSTEMS posted negative returns.
- HOME CAPITAL GROUP was a detractor to performance in the period. The mortgage lender, which is the fund's smallest holding, terminated its President and CEO Martin Reid. The company has faced pressure in light of its exposure to the Canadian housing market, which has been under scrutiny.
- No new companies were added to the portfolio and none were removed. A few positions were trimmed following stretches of strong performance, however, including Lincoln Electric and Unilever.
- The fund currently has a cash position of 4%.

Transactions

Buy

TD Bank
PrairieSky Royalty

Sell

Lincoln Electric
Unilever
CCL Industries

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	$91,354,624
No. of stocks	25

Equity Fund

Attributes

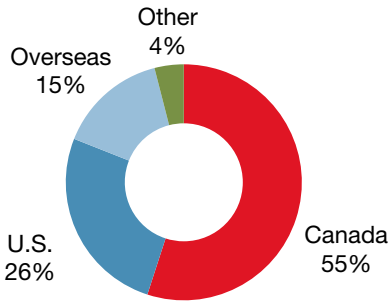
Top Stock Holdings

Visa	5.9%
Suncor Energy	5.6%
TD Bank	5.1%
CCL Industries	4.6%
Ecolab	4.5%
CBOE Holdings	4.4%
CVS Health	4.4%
Novozymes	4.4%
Franco-Nevada	4.1%
Novartis	4.0%

Sector Allocation (Stocks)

Industrial Goods & Svc	30.3%
Financial Services	21.8%
Oil & Gas	12.7%
Retailing	12.2%
Basic Materials	8.0%
Consumer Products	6.8%
Healthcare	4.2%
Consumer Cyclical	4.0%

Geographic Profile (Stocks)



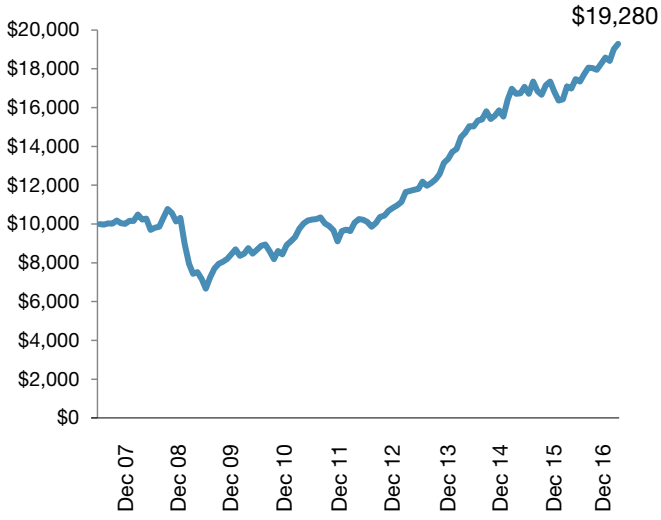
Performance

Compound Annualized Returns (as of March 31, 2017)

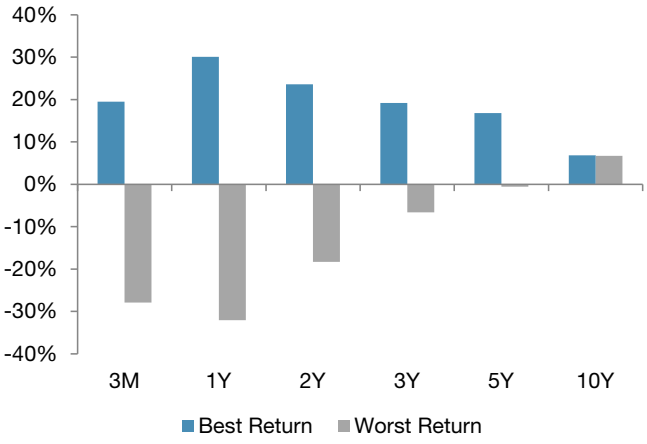
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
Equity Fund (after-fee)	**3.8%**	**3.8%**	**12.8%**	**7.4%**	**9.5%**	**13.5%**	**6.8%**	**6.7%**
S&P/TSX Composite Index	2.4%	2.4%	18.6%	5.3%	5.8%	7.8%	4.7%	4.8%
MSCI World Index ($Cdn)	5.7%	5.7%	18.6%	8.5%	12.9%	16.5%	6.3%	6.2%

*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 5.7% in Canadian dollar terms in the quarter.
- Asian markets excluding Japan were among the top performers. The American market (S&P 500 Index) and most European markets posted gains north of 5%.
- The Canadian dollar maintained its value against most major currencies, however, it depreciated against the Japanese Yen (-4%). This increased the value of Japanese stocks in Canadian dollar terms.

The fund was up 4.9% in the quarter. Since inception (Feb 2007), it has a cumulative return of 32%, which equates to an annualized return of 2.8%.

Portfolio Specifics

- The fund holds 41 stocks across 15 countries. European stocks (including the U.K.) make up 44% of the fund, while Asia accounts for 38%, the U.S. 16% and South America 2%.
- Healthcare companies were the largest contributors to performance. European pharmaceutical holdings ROCHE, SANOFI, ASTRAZENECA, and BAYER rebounded as the negative sentiment overhanging them abated.
- Emerging market companies were also key contributors to performance. BANGKOK BANK, gaming company GALAXY ENTERTAINMENT and semiconductor manufacturer SK HYNIX boosted returns.
- The manager, Edinburgh Partners, has found additional opportunities in emerging markets and CREDICORP and BAIDU were purchased. Credicorp is a leading bank in Peru, a country with attractive growth potential in financial services. Baidu was added as the manager believes recent negative headlines about the Chinese internet search giant have weighed on its price, presenting an attractive buying opportunity.
- Energy-related companies detracted from performance as the price of oil fell in the quarter. French oil major TOTAL was purchased on the back of the decline.
- Japanese telecom NIPPON TELEGRAPH AND TELEPHONE (NTT) and automaker TOYOTA met the manager's price targets and were sold to make way for new holdings. Japanese companies now account for 19% of the fund's stocks, down from 24% at this time last year.
- The fund currently has a cash position of 4%.

Transactions

Buy

Baidu*
Credicorp*
Total S.A.*

Sell

Toyota
NTT
Harman International

*New Holding

Positioning

- The fund looks much different than the overall global market. Specifically, it's more heavily weighted in European and Asian stocks, which the manager feels offer better risk/reward profiles than U.S. companies. In addition, the portfolio has a value bias, favouring more cyclical companies that are cheap on numerous valuation measures.
- Recent portfolio additions have been focused in the emerging markets.

Fund size	$70,973,845
No. of stocks	41

Global Equity Fund

Attributes

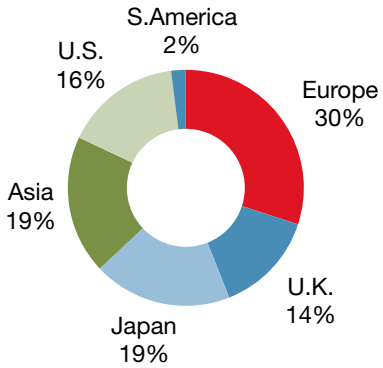
Top Stock Holdings

Novartis	3.4%
Shell	3.3%
Panasonic	3.1%
AstraZeneca	3.0%
Roche	3.0%
Galaxy Entertainment	2.9%
DBS Group	2.7%
Celgene	2.7%
Sanofi	2.7%
BP	2.6%

Sector Allocation (Stocks)

Financial Services	29.1%
Healthcare	19.9%
Consumer Cyclical	12.6%
Technology	10.9%
Oil & Gas	10.4%
Industrial Goods & Svc	9.0%
Retailing	4.1%
Comm. & Media	2.2%
Consumer Products	1.8%

Geographic Profile (Stocks)



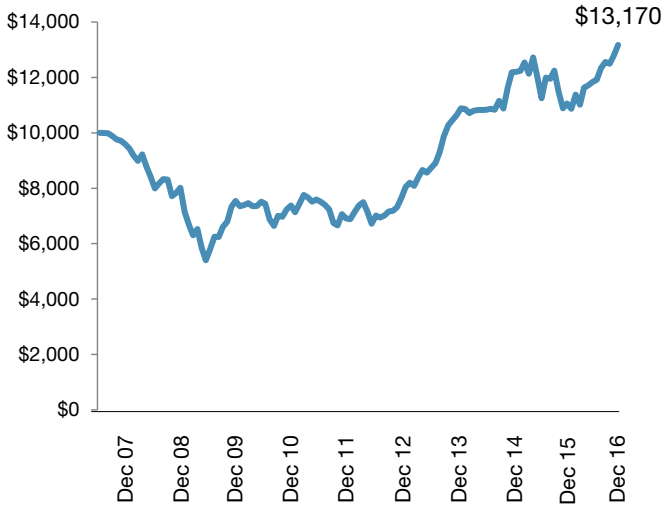
Performance

Compound Annualized Returns (as of March 31, 2017)

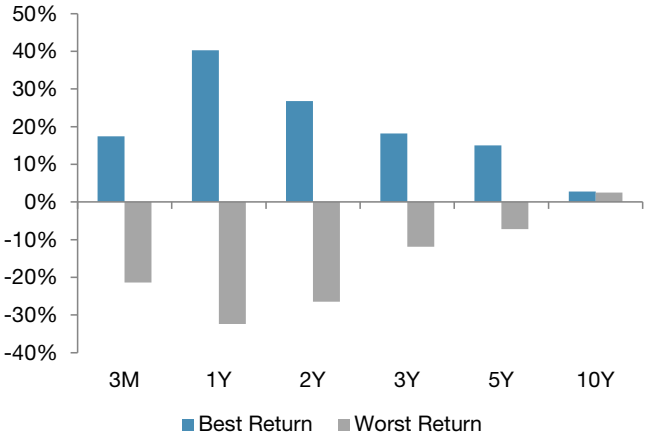
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
Global Equity Fund (after-fee)	**4.9%**	**4.9%**	**19.1%**	**3.9%**	**6.7%**	**11.9%**	**2.8%**	**2.8%**
MSCI World Index ($Cdn)	5.7%	5.7%	18.6%	8.5%	12.9%	16.5%	6.3%	6.2%

*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 1.5% in the quarter. U.S. small-caps gained 1.7% (Russell 2000 Index) in Canadian dollar terms.
- The price of oil dropped over 10% in March, which prompted big declines in oil & gas stocks. Mining and precious metals stocks, on the other hand, had a strong quarter.

The fund was up 1.2% in the quarter. Since inception (Feb 2007), it has a cumulative return of 89%, which equates to an annualized return of 6.5%.

Portfolio Specifics

- The portfolio consists of 22 stocks, 12 of which have a market capitalization of less than $1 billion. While the majority of holdings are Canadian companies, there are two U.S. stocks which make up 9% of the fund. Key areas of investment include capital goods, technology, transportation, food & beverages and professional services.
- Although performance was relatively flat in the quarter, certain holdings saw big price moves. SPIN MASTER, MARTINREA and NEW FLYER (profiled on page 16) each gained roughly 20%, while DHX MEDIA and MEG ENERGY fell by a similar amount. The manager, Galibier Capital Management, added to these latter two stocks on price weakness. Other incremental buys included BRICK BREWING, DIVERSIFIED ROYALTY, EXCHANGE INCOME, ECHO GLOBAL LOGISTICS and SPIN MASTER.
- An area of focus continues to be transportation-related companies. Holdings in the sector include ECHO GLOBAL LOGISTICS, NEW FLYER and CARGOJET. These are not sexy businesses, but rather steady growth stories. And they all have a sustainable competitive advantage. This is a key attribute that Galibier looks for in a company.
- One new holding was added to the portfolio, PARKLAND FUEL. The manager had previously owned the stock, and bought it back at a more attractive price. Galibier likes the deal Parkland did with Alimentation Couche-Tard to acquire the rights to the Ultramar brand (a dominant fuel brand in Quebec and Atlantic Canada) and feels the fundamentals of the company have improved measurably.
- Deletions from the fund include BADGER DAYLIGHTING, GLUSKIN SHEFF + ASSOCIATES and DH CORP. DH is being acquired by a U.S. firm, but was a frustrating investment. Galibier felt management should've broken the company into parts to maximize shareholder value, but DH executives disappointed in this regard.
- The fund currently has a cash position of 5%.
- The fund has gained 7.8% since September 30, 2016, which is Galibier's starting date as portfolio advisor. The index is up 4.6% over the same period.

Transactions

Buy

Parkland Fuel*
DHX Media
Enghouse Systems
MEG Energy
Brick Brewing
Echo Global Logistics

Sell

DH Corp.
Badger Daylighting
Gluskin Sheff + Associates

*New Holding

Positioning

- Galibier feels that stocks overall are on the expensive side. They are avoiding businesses with high valuations (relative to their historic levels), and are focused on identifying companies with interesting and enduring competitive advantages.
- U.S. stocks continue to comprise a smaller-than-normal weighting in the portfolio as the manager is seeing few opportunities at current valuation levels.

Fund size	$49,319,722
No. of stocks	22

Small-Cap Equity Fund

Attributes

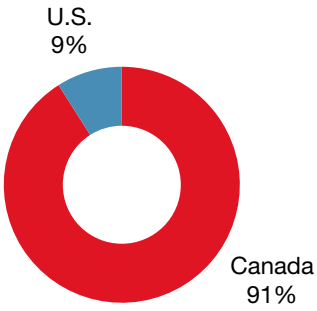
Top Stock Holdings

MacDonald Dettwiler	6.1%
Stantec	6.1%
Echo Global Logistics	5.3%
Exchange Income Corp	5.1%
Pure Technologies	5.0%
Spin Master	4.9%
Martinrea International	4.8%
Liquor Stores N.A.	4.8%
Points International	4.8%
Diversified Royalty	4.7%

Sector Allocation (Stocks)

Industrial Goods & Svc	36.7%
Technology	15.8%
Consumer Cyclical	15.2%
Oil & Gas	9.7%
Retailing	5.1%
Consumer Products	4.9%
Real Estate	4.6%
Utilities & Pipelines	4.2%
Comm. & Media	3.8%

Geographic Profile (Stocks)



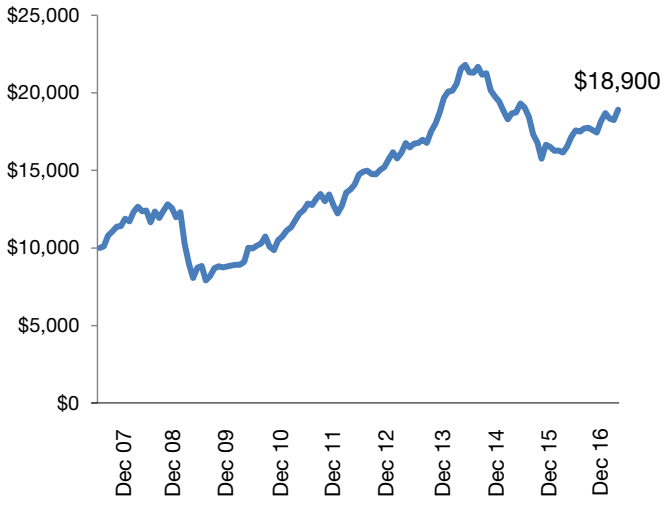
Performance

Compound Annualized Returns (as of March 31, 2017)

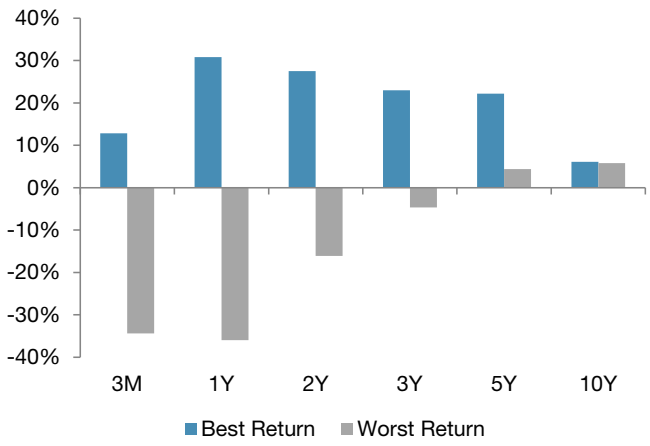
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
Small-Cap Equity Fund (after-fee)	**1.2%**	**1.2%**	**14.4%**	**0.4%**	**-4.6%**	**4.9%**	**5.8%**	**6.5%**
S&P/TSX SmallCap Index	1.5%	1.5%	29.5%	10.5%	3.3%	3.4%	1.8%	2.1%
Russell 2000 Index ($Cdn)	1.7%	1.7%	29.6%	9.4%	14.1%	19.0%	8.7%	8.3%

*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%.
- The central bank believes that ultra-low interest rates remain appropriate in the current environment. Economic growth has improved of late but challenges remain, including sluggish exports and subdued growth in wages.

Positioning

- Corporate notes (including bank paper, floating rate notes and short-dated bonds) comprise roughly 70% of the portfolio.
- Investments in T-Bills remain focused on provincial securities (rather than federal), as their yield advantage remains attractive.
- As investments matured in the quarter, proceeds were rolled primarily into bank paper, as the manager is seeing attractive opportunities in the sector.
- The pre-fee yield of the fund at the end of March was 0.8%.

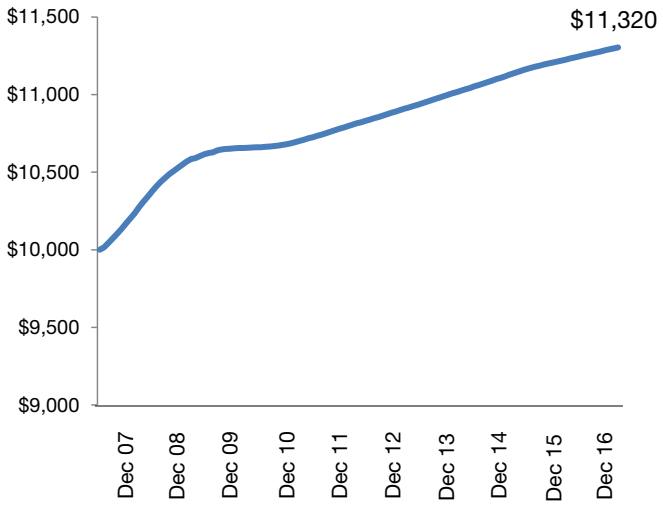
Performance

Compound Annualized Returns (as of March 31, 2017)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
Savings Fund (after-fee)	**0.2%**	**0.2%**	**0.7%**	**0.7%**	**0.8%**	**0.9%**	**1.2%**	**1.2%**
FTSE TMX Canada 91 Day T-Bill Index	0.1%	0.1%	0.5%	0.5%	0.6%	0.8%	1.3%	1.3%

*Feb 13, 2007

Growth of $10,000 Since Inception



Best and Worst Annualized Returns

Stock Snapshot

Overview

Headquartered in Winnipeg, New Flyer Industries traces its origins back to 1930 as West Auto and Truck Body Limited. It is best known for manufacturing transit buses.

Today, New Flyer accounts for more than 70,000 installed school buses, transit buses, coaches and cutaways. It's 45% market share makes it the largest manufacturer in North America.

It offers vehicles in a variety of fuel options including natural gas, diesel, hybrid electric and battery electric. The company also sells pre-owned coaches, distributes bus parts, and offer services such as training and real-time monitoring of buses.

The stock is held in our Small-Cap Equity Fund (3.9% position size).

Investment Case

Bus manufacturers must meet certain requirements to be considered by North American transit authorities. For example, U.S. authorities require buses to have a certain percentage of American content. These types of policies limit competition and have created an oligopolistic industry.

New Flyer has used scale to take advantage of the industry dynamics. It purchased Daimler's parts business Orion and transit bus maker North American Bus Industries in 2013. In 2015, New Flyer purchased North America's leading coach maker Motor Coach Industries (MCI). These acquisitions are expected to improve profit margins and offer opportunities for growth.

Despite these acquisitions, it doesn't have a stretched balance sheet and has committed to paying down its debt.

Risks to Outlook

Coach orders increase with economic growth, but transit bus orders are contingent on government funding. This funding can be lumpy and is dependent on the actions (or inactions) of politicians.

When government funding does come through, transit authorities distribute orders to multiple manufacturers. They do this to limit the emergence of a single dominant player, which limits the growth opportunities for New Flyer and its peers.

An interesting fact: New Flyer was named one of Canada's most Earth-Friendly Employers from 2008-2011. In 2009, it won first place in the American Public Transportation's 30th Annual AdWheel Awards competition for Earth Day Awareness.

New Flyer Industries: Price History

Source: TMX

10 years: A performance analysis

Our funds officially reached the decade mark this quarter, which means we have our first set of 10-year performance numbers. We're excited to share the results with you.

Our goal when we started Steadyhand was to build and manage funds that provide market-beating returns over the long run based on our undexing approach.

Three of our four original, long-term funds have beat their respective benchmarks over the past decade. We've excluded our highly-ranked Savings Fund from the analysis, as it's a short-term, savings-focused fund. As well, our Founders Fund wasn't launched until 2012 and thus doesn't have a 10-year record.

10-Year Annualized Returns as of March 31, 2017	
Income Fund	**6.0%**
Benchmark	5.1%
75% FTSE TMX Canada Universe Bond Index; 25% S&P/TSX Composite Index	
Equity Fund	**6.8%**
Benchmark	5.5%
60% S&P/TSX Composite Index; 40% MSCI World Index ($Cdn)	
Global Equity Fund	**2.8%**
Benchmark	6.3%
100% MSCI World Index ($Cdn)	
Small-Cap Equity Fund	**5.8%**
Benchmark	3.1%
85% S&P/TSX SmallCap Index; 15% Russell 2000 Index ($Cdn)	

A few things to note: (1) All our returns are after-fee, while the benchmark numbers have no fees included. (2) Clients who invest over $100,000 with us enjoy higher returns thanks to our fee reduction program. Furthermore, our first clients will also start receiving an additional 14% break on their fees as part of our 10-year loyalty discount. (3) Benchmark returns are rebalanced to the target allocation on a quarterly basis.

You'll note that our Global Fund has lagged. We're the first to acknowledge this, and have communicated frequently as to why the fund has underperformed, and why we think it's poised for a turnaround.

So how have longstanding Steadyhand investors fared in general? Our balanced clients whose portfolios resemble our 'model portfolios' (see page 4) have achieved long-term returns ahead of their respective benchmarks.

Another number we're excited about is Steadyhand's money-weighted return. This represents the average annual return our clients (in aggregate) have achieved. It takes into account the timing of purchases and redemptions. When compared to our time-weighted return (which doesn't take into account flows in and out of our funds), it's a good indicator of whether our clients are sticking to their plans through good times and bad. Our 5-year money-weighted return is 8.3%, while our time-weighted return over the same period is 8.4%. We've referenced 5-year numbers because our client base was insufficient in our early years to calculate meaningful 10-year numbers and our funds weren't available to the public until April 2007.

The difference between the returns a fund achieves versus the returns its investors achieve has been coined the "behaviour gap." It can be substantial for some firms because of investors reacting adversely to market news, chasing short-term returns, and generally trading too much. We're thrilled that we don't have a behaviour gap.

As a Steadyhand client, we thank you for your confidence in our business and your commitment to long-term investing. We hope we've met your expectations thus far.

And if you're not a client, what are you waiting for? We'll do our best to continue to provide index-beating returns – and a steady hand – over the next 10 years.

Steadyhand
10 YEARS

We're 10!

We're marking our 10th anniversary this spring and we're in the mood to reflect back, look forward and, of course, celebrate! Steadyhand clients will be receiving invitations to events next month in Toronto, Vancouver, Victoria, Calgary, Winnipeg and Ottawa to help us celebrate this milestone. We hope to see you there!

Published on April 7, 2017, by Steadyhand Investment Funds Inc.

steadyhand.com

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