Steadyhand
10 YEARS

Q4
2017

"Strong market returns and positive investor sentiment reflect the fact that all the ducks were lined up in 2017."

- Tom Bradley, The National Post, December 15th

Bradley's Brief

From an investing perspective, **2017 was not normal**. It was a year when everything went right. We had economic and employment growth, strong corporate profits, near-zero interest rates, extremely low volatility, and an ambivalence to negative socio-economic events. As a result, stock portfolios that were diversified across geographies and industries did well.

Our funds were no exception. The Small-Cap Fund was at the top of its category and the Equity and Global Equity Funds had solid years. Only the Income Fund was so-so after a string of superb years.

Our balanced clients were up between 7% and 9%, which contributed nicely to the more important long-term returns. Over 10 years, which represents a full market cycle (lots of good and bad), balanced portfolios earned in the range of 6%.

Speaking of balance, the Founders Fund also had a strong year (+8%), although it's fair to say that Salman and my focus on capital preservation meant we struggled to keep up with the hot markets. Our concerns haven't changed – too much debt, unsustainably low interest rates and credit spreads, and high price-to-earnings multiples – but all of them moved into more extreme territory in 2017. Our assessment of reward versus risk suggests lower returns and more volatility over the next few years.

There's another factor that also makes us wary. Since our last report, there's been a perceptible change in investor sentiment. This contrarian indicator (i.e. extreme bearishness is good for stocks and bullish is bad) has moved from absolute 'fear' nine years ago to unabashed optimism and greed today. The indicators that we follow confirm this, as does a plethora of anecdotal evidence, including the mania around bitcoin and cannabis stocks.

I know I'm sounding like a broken record, but thirty-five years of doing this tells me that the combination of cyclically high profits, extended valuations and euphoric investors is a recipe for caution, not aggression.

Because of our current positioning, we're sometimes described as being a 'conservative' firm. Certainly, we agonize over what we pay for a security. We always have our eye on the potential downside. And we build conservative portfolios for clients who need them, but a conservative firm? Not so much.

Indeed, it's a good time to point out that we're managing your money for all seasons. You shouldn't interpret our current caution to be a permanent state. If you look back on our blog to 2008/09, the summers of 2011 and 2015, or early 2016, you'll see that we've been an enthusiastic buyer of stocks at times. Salman and I look forward to being in that mode again, although we need to be careful what we wish for. All of those periods were characterized by declining portfolio values and an abundance of doom and gloom.

Our full cycle thinking when taking care of your money also applies to how we run our company. For a full update on Steadyhand, I encourage you to read our upcoming State of the Union blog. Suffice to say, things are going well and our team is tighter than ever. And most importantly, our clients have been a pleasure to deal with and are great ambassadors. The closing line in Scott's year-end poem says it all. *"Our key job in 2017 was to help our clients stick to their plans. And our results so far indicate that you've all got steady hands!"*

Key Takeaways

Stocks

- Stocks had a good year. Emerging markets were the standouts, gaining nearly 30% in Canadian dollars. Indexes in Europe, Japan and the U.S. posted double-digit gains.
- Canada was a laggard, but the S&P/TSX Composite Index still gained 9.1%. The energy sector was a notable area of weakness, declining over 10%. Industrial, consumer and health care stocks were the greatest areas of strength.
- Currency movements had a notable impact on foreign stock returns. Specifically, the Canadian dollar appreciated 7% against the U.S. dollar, which decreased the value of American stocks in Canadian dollar terms. Conversely, the loonie fell 6% against the Euro, which boosted the returns of European stocks for Canadian investors.

Market Returns

	3M	1Y
Canada	4.5%	9.1%
World	5.7%	14.5%

Bonds

- The Canadian bond market (FTSE TMX Canada Universe Bond Index) provided a total return (interest and capital appreciation) of 2.5% in the year.
- Bond yields ended the year higher despite falling in the spring. The 10-year Government of Canada yield started the year at 1.7%, but fell to 1.4% in June before ending the year at 2.0%.
- High yield bonds were strong performers, reflecting investors' thirst for yield.

	3M	1Y
Bonds	2.0%	2.5%

Our Funds

- Our funds all had a positive year, with the Small-Cap Fund leading the way. Balanced clients experienced returns in the range of 7% to 9%. Over the past 10 years, our balanced portfolios are up roughly 6% per year.
- The stock weighting in the Founders Fund was brought down from 60% to 54%. This reflects our view that valuations have become increasingly expensive. The fund's bond weighting was increased but continues to remain lower than normal.
- Our foreign stock exposure has a tilt towards Europe and Asia, rather than the U.S.
- We encourage investors to watch our annual client presentation for our latest advice and views on the road ahead. This year's presentation will be in video format and will be posted on our blog and website on January 17.

Fund Returns

	3M	1Y
Savings	0.3%	0.8%
Income	2.2%	2.9%
Founders	3.2%	7.9%
Equity	3.3%	11.1%
Global	3.8%	15.2%
Small-Cap	12.7%	18.4%

Our Advice to Clients

We recommend that your equity weighting be no higher than called for in your long-term plan. In the Founders Fund, our equity exposure is below its target 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.

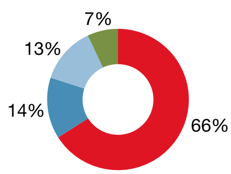
For our thoughts on asset mix and the advice we're giving clients, visit the Current Outlook page on our website, or give us a call at 1.888.888.3147.

Steadyhand Portfolios (Hypothetical)*

Compound Annualized Returns, After-fee (as of December 31, 2017)

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

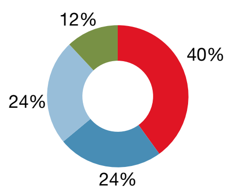
Balanced Income Portfolio (50/50)



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

3M	YTD	1Y	2Y	3Y	5Y	10Y
3.3%	6.7%	6.7%	6.7%	5.2%	7.1%	6.2%

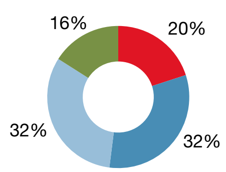
Balanced Equity Portfolio (70/30)



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

3M	YTD	1Y	2Y	3Y	5Y	10Y
4.1%	9.6%	9.6%	8.5%	6.8%	9.1%	6.2%

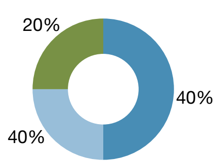
Growth Portfolio (85/15)



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

3M	YTD	1Y	2Y	3Y	5Y	10Y
4.7%	11.9%	11.9%	9.9%	8.1%	10.6%	6.2%

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
5.4%	14.3%	14.3%	11.3%	9.3%	12.1%	6.2%

Capital Market Performance (as of December 31, 2017)

	3M	YTD	1Y	2Y	3Y	5Y	10Y
Cash (FTSE TMX Canada 91 Day T-Bill Index)	0.2%	0.6%	0.6%	0.5%	0.6%	0.7%	1.0%
Cdn Bonds (FTSE TMX Canada Universe Bond Index)	2.0%	2.5%	2.5%	2.1%	2.6%	3.0%	4.7%
Cdn Stocks (S&P/TSX Composite Index)	4.5%	9.1%	9.1%	14.9%	6.6%	8.6%	4.6%
Cdn Small Cap Stocks (S&P/TSX SmallCap Index)	4.7%	2.8%	2.8%	19.3%	7.2%	5.3%	2.4%
Global Stocks (Morningstar Developed Markets Index)	5.7%	14.5%	14.5%	9.2%	12.4%	17.2%	8.0%

*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 fund with a target asset mix of 60% stocks and 40% fixed income. It gains this exposure from investing in Steadyhand's other 5 funds.
- Tom Bradley manages the fund and Salman Ahmed is co-manager. They have considerable scope to adjust the portfolio to reflect their views on valuations, corporate fundamentals and investor sentiment.

Looking Back

- The fund posted a gain of 7.9% in 2017, driven mainly by the performance of the equity funds (which all posted double-digit gains).
- The fund started the year in line with its target stock allocation (60%). Through the year, we trimmed the weight for two reasons: (1) our fund managers were finding fewer attractively priced stocks, and (2) our own analysis suggested that valuations were stretched. This shift held back the fund's return, as stocks continued to rise.
- Government bond prices fell sharply in mid-2017 as the Bank of Canada signaled it was raising interest rates. We have long been of the view that near-zero interest rates are unsustainable. Thus, the fund's fixed income allocation has been split between bonds (Income Fund) and cash & short-term notes (Savings Fund).

Looking Ahead

- The global economy is experiencing broad-based growth, although we believe this activity and resulting corporate profits are already priced into today's stock prices. As noted, our managers have struggled to find cheap stocks. As a result, we feel it prudent to have below-average exposure to stocks at this time.
- In 2017, the manager of our Income Fund, Connor, Clark & Lunn (CC&L), made significant changes to the bonds mix. The fund has long been biased toward corporate bonds, but late in the year, CC&L reduced corporates and moved further into provincial bonds, which are more defensive. This shift contributed to our decision to increase the Founders Fund's holding in the Income Fund.
- Though we added to bonds, the allocation continues to be below the long-term target (28% vs. 35%). Bond yields may remain at low levels, or fall again, but as long-term investors we're looking further out and assessing the likelihood that they will normalize over time (when bond yields go up, prices come down).
- A low bond weighting and a reduction in the fund's stocks led to an increased cash level. Between the Savings Fund and cash held in the equity funds, it finished the year at 18%. Although cash offers little in the way of yield, it provides protection against rising interest rates and is ready source of liquidity in volatile markets.

Note: We have changed the fund's long-term asset mix targets. The target stock weights are now evenly split between Canadian (30%) and foreign stocks (30%). Previously, the target was 35% Canada and 25% foreign. This change was a result of analysis we performed on how we could position the fund given different market scenarios. It also came from reflecting on the limited depth of the Canadian market. The fixed income targets remain the same.

The fund was up 3.2% in the quarter. Since inception (Feb 2012), it has a cumulative return of 58%, which equates to an annualized return of 8.1%.

Fund Mix

Income	39%
Global	18%
Equity	18%
Savings	16%
Small-Cap	9%

Asset Mix

Foreign Stocks	26%
Canadian Stocks	28%
Gov't Bonds	20%
Corporate Bonds	8%
Cash & Short-term	18%

Fund size	$399,611,004

Founders Fund

Attributes

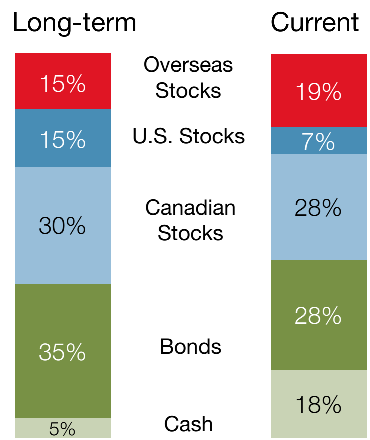
Top Stock Holdings (% of Fund)

TD Bank	2.0%
Novartis	1.3%
Suncor Energy	1.2%
CN Rail	1.1%
Visa	1.0%
Franco-Nevada	1.0%
Agrium	1.0%
CBOE Holdings	1.0%
Novozymes	0.9%
Loblaw Companies	0.9%

Sector Allocation (Stocks)

Financial Services	23.5%
Industrial Goods & Svc	21.5%
Oil & Gas	10.7%
Healthcare	7.2%
Consumer Cyclical	7.1%
Retailing	6.4%
Technology	5.5%
Real Estate	4.8%
Utilities & Pipelines	3.9%
Consumer Products	3.8%
Basic Materials	3.7%
Comm. & Media	1.9%

Asset Mix



Performance

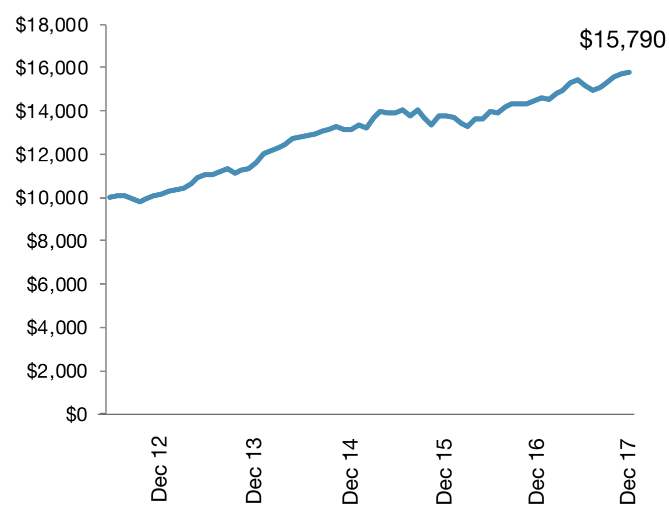
Compound Annualized Returns (as of December 31, 2017)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep[1]
Founders Fund (after-fee)	**3.2%**	**7.9%**	**7.9%**	**7.3%**	**6.2%**	**8.2%**	**N/A**	**8.1%**
FTSE TMX Canada Universe Bond Index	2.0%	2.5%	2.5%	2.1%	2.6%	3.0%	N/A	3.2%
S&P/TSX Composite Index	4.5%	9.1%	9.1%	14.9%	6.6%	8.6%	N/A	7.8%
Morningstar Developed Markets Index*	5.7%	14.5%	14.5%	9.2%	12.4%	17.2%	N/A	15.6%

*We are now using the Morningstar Developed Markets Index as a reference for the global stock market, as it has become cost prohibitive to use the MSCI indexes.

[1]Feb 17, 2012

Growth of $10,000 Since Inception



Best and Worst Annualized Returns

Income Fund

Market Context

- The Canadian bond market gained 2.5% in 2017 (interest and capital appreciation).
- Bond yields ended the year higher, although their path wasn't steady. The 10-year Government of Canada yield started the year at 1.7%, fell to a low of 1.4% in the spring, and then climbed above 2.1% in the fall. It ended the year at 2.0%.
- The Canadian stock market gained 9.1%. Industrial stocks were an area of strength.

The fund was up 2.2% in the quarter. Since inception (Feb 2007), it has a cumulative return of 84%, which equates to an annualized return of 5.7%.

Portfolio Specifics

- The fund gained 2.5% in 2017. Its bond holdings provided modest returns, while the stock component was a solid driver of performance.
- A big theme in the fund during the year was a reduction in its overall level of risk. This was achieved through: (1) a focus on higher quality bonds, and (2) a reduction in its corporate holdings. Corporates (excluding money market securities) now make up 17% of the portfolio, which is their lowest weighting in the fund over its history.
- The yield advantage of owning corporate bonds (over safer government bonds) has subsided to the point where the manager, Connor, Clark & Lunn (CC&L), feels bondholders aren't being adequately compensated for the additional risks they're taking, especially when interest rates start to rise and the risk of default increases.
- While the economy remains strong, debt levels have risen and an overheated housing market is a concern. Positions in bank bonds were trimmed as a result.
- Provincial bonds, conversely, saw their weight in the fund rise from 29% to 34%. CC&L feels these securities offer an attractive yield advantage over federal bonds.
- Stocks make up 29% of the portfolio, up from 25% at the beginning of the year. Sectors of focus include financial services, industrial goods, utilities and energy companies. The fund's energy holdings had a weak year, including WHITECAP RESOURCES, ARC RESOURCES and TRANSCANADA, but CC&L feels they offer good value.
- The manager's equity strategy is focused on companies that are growing their dividend (as opposed to high dividend payers), businesses that will benefit from a rebound in capital spending, and a bias towards "value" over "growth" stocks.
- Real estate investment trusts were trimmed modestly, as these securities are less attractive in a rising interest rate environment. That said, the steady cash flows generated by the likes of CANADIAN APARTMENT PROPERTIES, CHARTWELL RETIREMENT RESIDENCES and ALLIED PROPERTIES REIT remain a good source of income.
- The fund paid distributions totaling $0.24/unit in 2017. Its pre-fee yield is 3.0%.

Notable Stock Transactions

Buy

CAE Inc.*
TMX Group*
Agrium*
Crescent Point Energy

*New Holding

Trim/Sell

Corus Entertainment[1]
Power Financial[1]
BCE Inc.[1]

[1]Position eliminated

Positioning

- The fund's bond strategy is cautious, with a focus on higher-quality securities.
- We're in the late part of the business cycle, but stocks remain attractive relative to bonds and make up almost 30% of the fund, providing an additional source of yield.

Fund size	$91,949,474
Pre-fee Yield	3.0%
Avg Term to Maturity	9.8 yrs
Duration	7.3 yrs

Income Fund

Attributes

Top Holdings (% of Fund)

Ontario 2.60% (Jun/27)	5.8%
Quebec 3.00% (Sep/23)	4.7%
Quebec 2.75% (Sep/27)	4.0%
Ontario 2.85% (Jun/23)	3.1%
Canada 5.00% (Jun/37)	2.8%
Quebec 4.50% (Dec/20)	2.5%
TD Bank	2.4%
Royal Bank	2.3%
CC&L High Yield Bond Fd	1.9%
Canada 1.00% (Sep/22)	1.8%

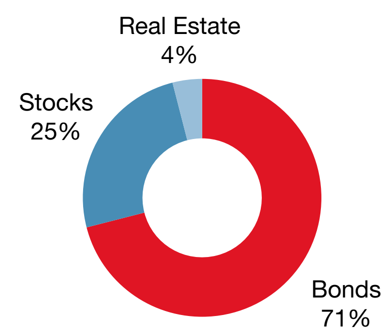
Issuer Allocation (Bonds)

Federal Government	20%
Provincial Government	48%
Corporate	31%

Rating Summary (Bonds)

AAA	28%
AA	46%
A	9%
BBB	15%
BB (or lower)	2%

Asset Mix



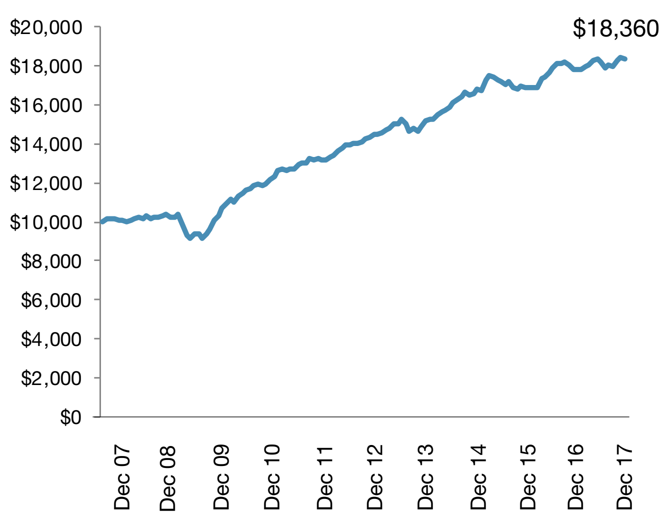
Performance

Compound Annualized Returns (as of December 31, 2017)

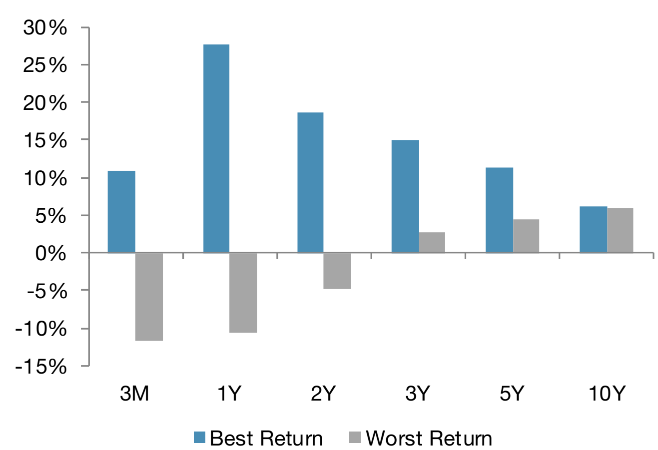
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
Income Fund (after-fee)	**2.2%**	**2.9%**	**2.9%**	**4.3%**	**3.1%**	**4.5%**	**6.0%**	**5.7%**
FTSE TMX Canada Universe Bond Index	2.0%	2.5%	2.5%	2.1%	2.6%	3.0%	4.7%	4.6%
S&P/TSX Composite Index	4.5%	9.1%	9.1%	14.9%	6.6%	8.6%	4.6%	5.0%

*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) rose 9.1% in the year. Industrial, consumer and healthcare stocks were among the strongest performers.
- Global stocks, as measured by the Morningstar Developed Markets Index, gained 14.5% in Canadian dollar terms.

The fund gained 3.3% in the quarter. Since inception (Feb 2007), it has a cumulative return of 107%, which equates to an annualized return of 6.9%.

Portfolio Specifics

- The fund holds 25 stocks, of which 14 are headquartered in Canada, 5 in the U.S., 5 overseas and 1 in Mexico.
- The fund had a good year, gaining 11.1%. Foreign holdings provided strong results. NOVOZYMES and UNILEVER saw sharp gains and benefited as the Canadian dollar fell against European currencies. U.S.-based CBOE HOLDINGS, VISA and ECOLAB also saw price gains but faced a currency headwind as the loonie rose against the U.S. dollar.
- The manager, CGOV, trimmed the weight in MAGNA INTERNATIONAL and CAE after their stock prices rose sharply. Magna, an auto parts manufacturer, and CAE, a manufacturer of flight simulators, have both been positive contributors to performance since their additions to the portfolio.
- RITCHIE BROS. AUCTIONEERS was one of the few detractors to performance. The company auctions commercial and industrial equipment such as trucks and heavy machinery. It counts the energy sector as an important client base and the sector's struggles coincided with Ritchie's. CGOV has been a shareholder of the stock for many years and feels it has good rebound potential.
- The fund added EVERTZ TECHNOLOGIES in the fourth quarter, which is profiled in the Stock Snapshot on page 16. The company manufactures equipment used by broadcasters and content creators. It has been the first to deploy infrastructure used for internet-based viewing.
- CVS HEALTH, which has been in the portfolio since 2007, announced a major acquisition. The drugstore operator will buy Aetna, a healthcare insurance provider, for $69 billion USD. CGOV views the deal positively as it has the potential to provide long-term value to shareholders, though there may be some short-term pain in integrating the two companies.
- The fund currently has a cash position of 2%.

Notable Transactions

Buy

Evertz Technologies*
Ritchie Bros. Auctioneers
Franco-Nevada

*New Holding

Trim/Sell

Westshore Terminals[1]
CBOE Holdings
Visa

[1]Position eliminated

Positioning

- The manager is wary of high stock valuations and has a cautious outlook, with a focus on higher-quality businesses.
- Foreign stocks are a key part of the fund, notably in the healthcare, retailing and consumer sectors.

Fund size	$102,077,107
No. of stocks	25

Equity Fund

Attributes

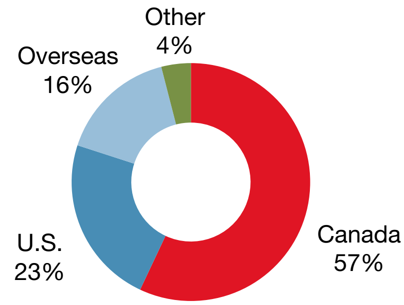
Top Stock Holdings

Suncor Energy	5.9%
Visa	5.8%
TD Bank	5.8%
Franco-Nevada	5.7%
CBOE Holdings	5.5%
Novozymes	5.0%
PrairieSky Royalty	4.7%
Agrium	4.5%
CCL Industries	4.1%
Novartis	4.0%

Sector Allocation (Stocks)

Industrial Goods & Svc	24.7%
Financial Services	21.0%
Oil & Gas	13.2%
Retailing	10.8%
Basic Materials	10.2%
Consumer Products	6.0%
Healthcare	4.1%
Technology	4.1%
Consumer Cyclical	4.0%
Utilities & Pipelines	1.9%

Geographic Profile (Stocks)



Performance

Compound Annualized Returns (as of December 31, 2017)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep[1]
Equity Fund (after-fee)	**3.3%**	**11.1%**	**11.1%**	**10.8%**	**10.0%**	**13.2%**	**7.2%**	**6.9%**
S&P/TSX Composite Index	4.5%	9.1%	9.1%	14.9%	6.6%	8.6%	4.6%	5.0%
Morningstar Developed Markets Index*	5.7%	14.5%	14.5%	9.2%	12.4%	17.2%	8.0%	6.3%

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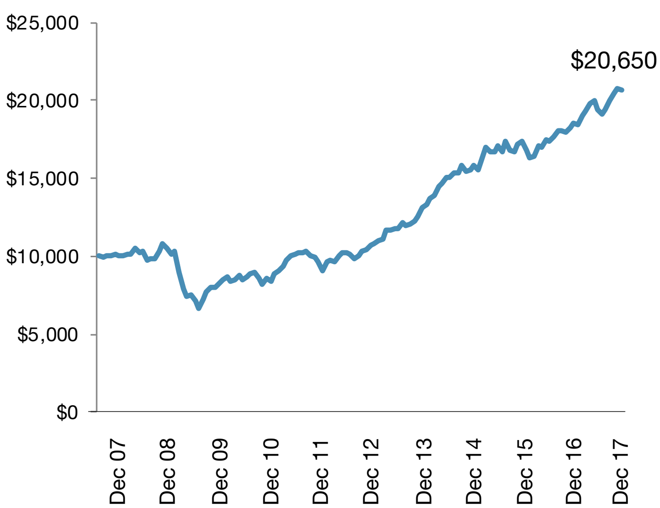
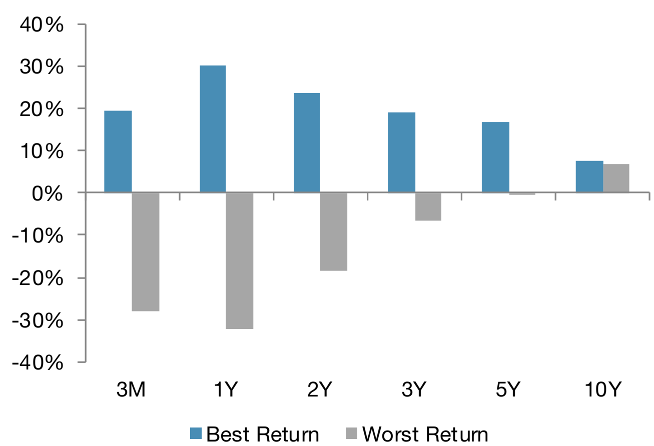


Best and Worst Annualized Returns



Global Equity Fund

Market Context

- Global stocks, as measured by the Morningstar Developed Markets Index, were up 14.5% in Canadian dollar terms in 2017.
- Emerging markets were the standouts of 2017, gaining nearly 30% in Canadian dollars. Markets in Europe, Japan and the U.S. also turned in double-digit gains.
- Canadian investors didn't experience the full extent of the gains as the loonie appreciated against the U.S. dollar (+7%) and Japanese Yen (+4%). Our dollar fell 6% against the Euro, however, which boosted the returns of European stocks.

The fund was up 3.8% in the quarter. Since inception (Feb 2007), it has a cumulative return of 45%, which equates to an annualized return of 3.4%.

Portfolio Specifics

- The fund holds 43 stocks across 17 countries. European stocks (including the U.K.) make up 46% of the fund, Asian stocks 41%, U.S. 11% and South America 2%.
- The fund rose 15.2% in 2017. Banks, personal & household goods, and healthcare stocks were the greatest contributors to performance.
- Economic growth in Europe has improved the prospects for the continent's banks. The fund's holdings in the region include BNP PARIBAS, HSBC, RBS and COMMERZBANK, which was one of the fund's top performers in the year.
- Investments in emerging markets performed particularly well. GALAXY ENTERTAINMENT (an Asian gaming and hospitality company) and SHANGHAI FOSUN (a Shanghai-based pharmaceutical maker) both rose more than 75%. Asian banks MANDIRI (Indonesia), DBS GROUP (Singapore) and BANGKOK BANK (Thailand) also saw impressive gains.
- The proportion of the fund in Japanese stocks has come down as the manager, Edinburgh Partners (EP), has reduced the weight in light of strong gains. These companies make up 19% of the portfolio, down from 30% at their peak. EP still sees opportunities in Japan, but they tend to be in mid-sized companies, such as ALPS ELECTRIC, which was purchased in the fourth quarter. The company is a leader in electrical components for autonomous driving, handsets and gaming devices.
- In the energy sector, gains in SHELL, BP and TOTAL were offset by a steep decline in APACHE, which took a hit when it announced the possibility a large cash deficit in 2017. EP considers this a temporary shortfall and still likes Apache's fundamentals.
- The fund currently has a cash position of 6%.

Notable Transactions

Buy

Alps Electric Co.*
Celgene

*New Holding

Trim/Sell

PerkinElmer[1]
Gemalto[1]
Panasonic
Ubisoft Entertainment

[1]Position eliminated

Positioning

- The fund is built much differently than the global index. It's more focused on Europe and Asia, and has only a modest weighting in U.S. stocks. This is a reflection of where the manager is currently finding better-valued securities.
- The fund is positioned to benefit from a rotation by investors out of high growth companies into more value oriented stocks. The manager believes we are in the early innings of such a rotation.

Fund size	$86,128,897
No. of stocks	43

Global Equity Fund

Attributes

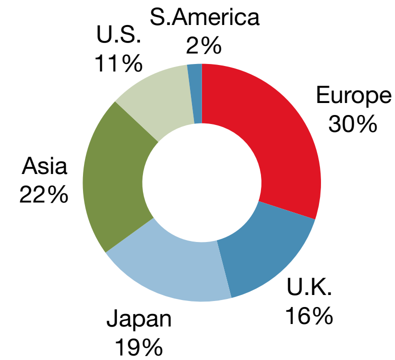
Top Stock Holdings

Royal Dutch Shell	3.5%
Novartis	3.2%
Commerzbank	2.9%
DBS Group	2.9%
Panasonic	2.8%
AstraZeneca	2.8%
BP	2.7%
Shanghai Fosun	2.7%
Ubisoft Entertainment	2.7%
Bank Mandiri	2.6%

Sector Allocation (Stocks)

Financial Services	32.0%
Healthcare	18.7%
Consumer Cyclical	13.6%
Oil & Gas	10.6%
Technology	8.7%
Industrial Goods & Svc	8.5%
Retailing	4.8%
Comm. & Media	1.6%
Consumer Products	1.5%

Geographic Profile (Stocks)



Performance

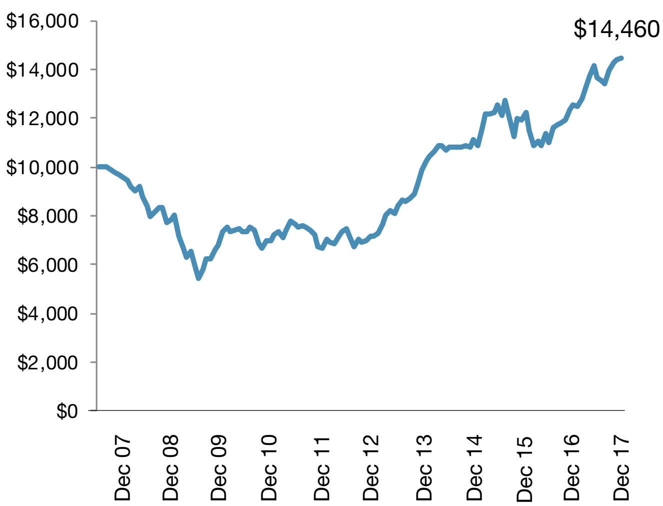
Compound Annualized Returns (as of December 31, 2017)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep[1]
Global Equity Fund (after-fee)	**3.8%**	**15.2%**	**15.2%**	**8.7%**	**10.0%**	**13.6%**	**5.1%**	**3.4%**
Morningstar Developed Markets Index*	5.7%	14.5%	14.5%	9.2%	12.4%	17.2%	8.0%	6.3%

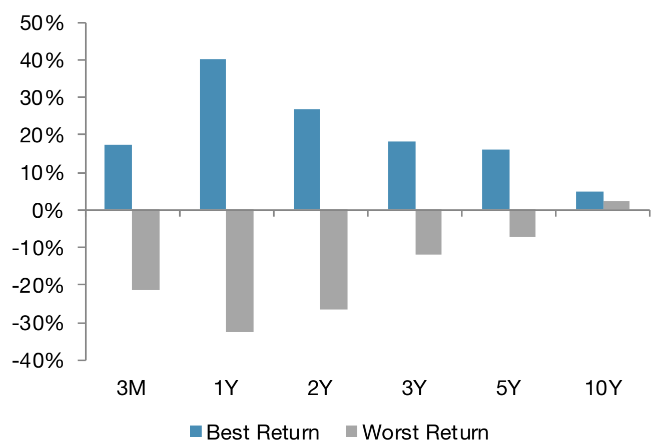
*We are now using the Morningstar Developed Markets Index as a reference for the global stock market, as it has become cost prohibitive to use the MSCI indexes.

[1]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 2.8% in 2017. U.S. small-caps gained 7.1% (Russell 2000 Index) in Canadian dollar terms.
- Energy stocks (a large component of the market) had a weak year while industrial goods & services companies turned in solid performance.

The fund was up 12.7% in the quarter. Since inception (Feb 2007), it has a cumulative return of 121%, which equates to an annualized return of 7.6%.

Portfolio Specifics

- The fund consists of 25 stocks, 10 of which have a market capitalization of less than $1 billion. While the majority of holdings are Canadian companies, there are five U.S. stocks which make up 18% of the portfolio.
- The fund had a strong year, rising 18.4%, and outperformed the small-cap market by a considerable margin. Its top contributors to performance were PURE TECHNOLOGIES (which was acquired by a U.S. water technology company in December), SPIN MASTER (a toy company that owns the popular *PAW Patrol* brand) and DIVERSIFIED ROYALTY CORP. (a royalty company whose partners include Mr. Lube, Air Miles and Sutton).
- Small-cap energy companies struggled in the year, even as the price of oil rose more than 10%. The fund has little exposure to the sector as the manager, Galibier Capital Management, isn't seeing a lot of opportunities. It only owns one oil & gas producer, MEG ENERGY, which was one of the fund's worst performers. Although MEG has a levered balance sheet, it has valuable assets that it could sell if it needs cash. MEG also stands to benefit significantly from a stronger oil price.
- While stock valuations in general remain expensive, Galibier found a few new opportunities in the year, including MIDDLEBY, STERICYCLE and FLUOR. These are all mid-cap U.S. stocks which have fallen out of favour with investors, yet have attractive strengths. Middleby, for example, manufacturers commercial ovens and is a leading provider to chains such as Domino's and Subway. Fluor is an engineering company that has a unique capacity to work on large-scale projects, while Stericycle is a leader in medical waste disposal solutions. Galibier feels these stocks have good rebound potential. Indeed, Fluor is up over 30% since we purchased it in September.
- The manager is also finding value in the packaging industry. INTERTAPE POLYMER was added earlier in the year, and WINPAK was purchased in the fourth quarter.
- The fund currently has a cash position of 6%.
- The fund has gained 25.7% since September 30, 2016, which is Galibier's starting date as portfolio advisor. The index is up 6.0% over the same period.

Notable Transactions

Buy

Middleby Corporation*
Stericycle*
Winpak*
AG Growth International

*New Holding

Trim/Sell

Pure Technologies[1]
Ensign Energy Services[1]
Maxar Technologies

[1]Position eliminated

Positioning

- Key areas of investment include capital goods, transportation, food & beverages, consumer services, commercial & professional services, and technology.
- Resource companies do not feature prominently in the portfolio.

Fund size	$60,505,774
No. of stocks	25

Small-Cap Equity Fund

Attributes

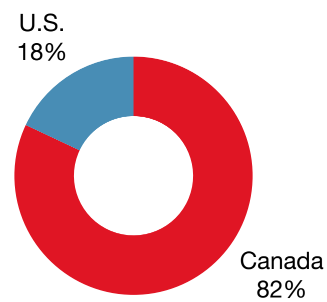
Top Stock Holdings

Liquor Stores N.A.	5.1%
Spin Master	5.0%
Echo Global Logistics	4.9%
Intertape Polymer	4.9%
Diversified Royalty	4.7%
Dream Global REIT	4.5%
Brick Brewing	4.5%
AG Growth Int'l.	4.5%
Fluor Corp.	4.4%
Exchange Income	4.3%

Sector Allocation (Stocks)

Industrial Goods & Svc	51.1%
Consumer Cyclical	13.4%
Oil & Gas	7.8%
Technology	7.1%
Retailing	5.4%
Real Estate	4.8%
Consumer Products	4.8%
Utilities & Pipelines	3.2%
Comm. & Media	2.4%

Geographic Profile (Stocks)



Performance

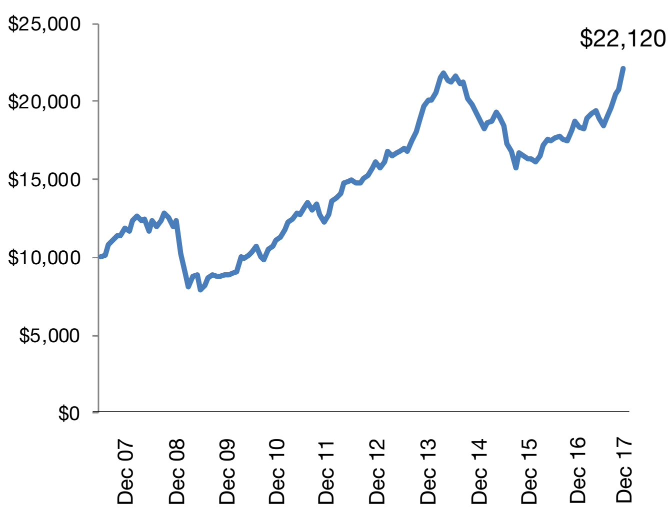
Compound Annualized Returns (as of December 31, 2017)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep[1]
Small-Cap Equity Fund (after-fee)*	**12.7%**	**18.4%**	**18.4%**	**16.6%**	**5.5%**	**6.5%**	**5.9%**	**7.6%**
S&P/TSX SmallCap Index	4.7%	2.8%	2.8%	19.3%	7.2%	5.3%	2.4%	2.1%
Russell 2000 Index ($Cdn)	3.9%	7.1%	7.1%	12.3%	12.9%	19.5%	11.3%	8.2%

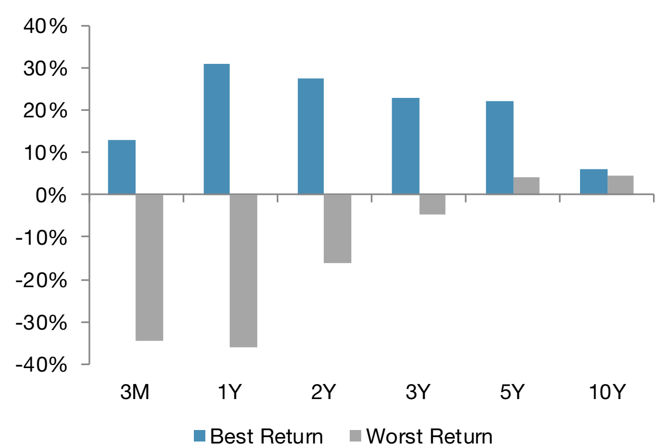
*The fund has gained 25.7% since September 30, 2016, which is Galibier's starting date as portfolio advisor. The Canadian index is up 6.0% over the same period.

[1]Feb 13, 2007

Growth of $10,000 Since Inception



Best and Worst Annualized Returns



Savings Fund

Market Context

- The Bank of Canada raised its key lending rate twice in 2017, by 0.25% each time. The rate now stands at 1.0%.
- Global economic growth was solid in 2017, with all major economies growing for the first time since 2007. In Canada, employment growth was very strong, wages picked up, and inflation was remarkably stable.
- The Bank of Canada has indicated that higher interest rates will likely be required over time, but the central bank remains cautious and measured in its approach to rate hikes.

Positioning

- The fund had a good year in a still-low interest rate environment, gaining 0.8%. The manager's (Connor, Clark & Lunn) preference for corporate paper added value.
- Corporate notes (including bank paper, floating rate notes and short-dated bonds) comprise 70% of the portfolio.
- Investments in T-Bills remain focused on provincial securities (30% of the fund).
- The pre-fee yield of the fund at the end of December was 1.3%.

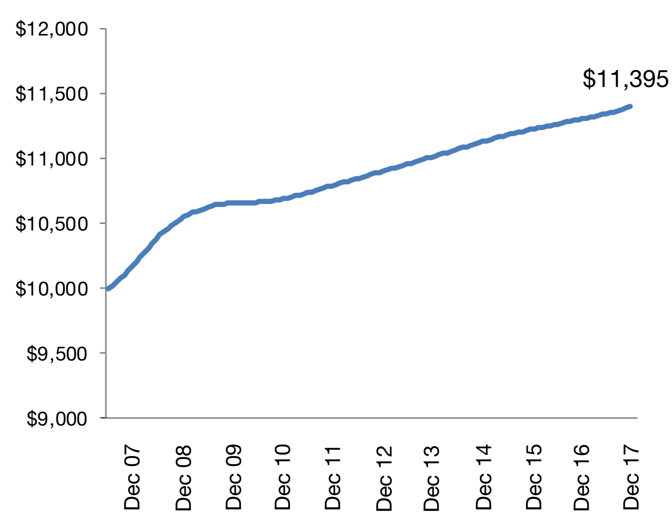
Performance

Compound Annualized Returns (as of December 31, 2017)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
Savings Fund (after-fee)	**0.3%**	**0.8%**	**0.8%**	**0.8%**	**0.8%**	**0.9%**	**1.0%**	**1.2%**
FTSE TMX Canada 91 Day T-Bill Index	0.2%	0.6%	0.6%	0.5%	0.6%	0.7%	1.0%	1.3%

*Feb 13, 2007

Growth of $10,000 Since Inception



Best and Worst Annualized Returns

Stock Snapshot

Overview

Evertz Technologies manufactures and distributes electronic components used by broadcasters and film makers. It emphasizes high-performance equipment needed for high-definition television and entertainment delivered over the internet. Evertz' customer base includes broadcasters, telecom companies, and satellite, cable TV, and IPTV providers.

Based in Burlington, Ontario, Evertz has more than 1,500 employees worldwide and its products can be found in major broadcast facilities on every continent. More than 60% of the company's revenues, however, come from U.S. and Canadian-based customers.

The stock was purchased in the Steadyhand Equity Fund in the fourth quarter of 2017 (2.8% position size).

Investment Case

Evertz is well positioned to take advantage of a market in which broadcasters and creators are increasingly looking at the internet to deliver their content. It was the first equipment provider to develop the infrastructure to make this possible.

As a global leader in video technology, Evertz' products and solutions provide the firm with compelling competitive advantages in a world where the appetite for high quality video delivered anywhere, anytime across a broad range of devices is ever increasing.

To solidify its status as a leading player in the field, Evertz has been investing heavily in research and development. In fact, the company has invested more than $300 million in R&D over the past five years. These costs are expected to fall in coming years, which will improve the cash flows available to management.

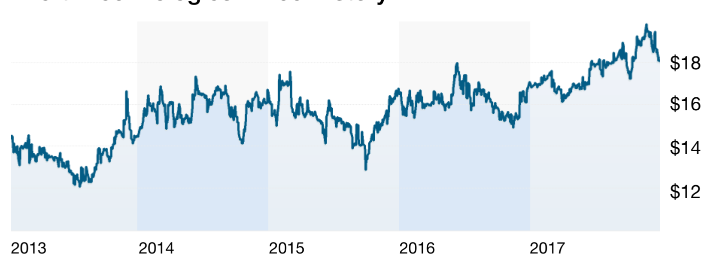
The company's overseas business also has scope to grow, as much of the world has yet to convert to high-definition programming.

Risks to Outlook

Evertz' main customers tend to spend less money during times of financial stress. For example, broadcasters and creators cut or delayed projects in the midst of the financial crisis. Though it survived this period relatively unscathed, the company was not immune to the challenges faced by the industry.

An interesting fact: Evertz was awarded the 2015-16 Emmy Award for Technology and Engineering by the National Academy of Television Arts and Sciences.

Evertz Technologies: Price History



Source: Reuters

2017 was the year everything went right

Special to the National Post, by Tom Bradley (December 15, 2017)

"Portfolio managers are a paranoid lot. When times are good, we worry about when it's going to end. When times are bad, we worry that it's never going to end."

Don Cranston, the C in CGOV Asset Management, told me this years ago. He could've been referencing 2017, which for me, was a year of discomfort. It just felt too good.

After years of markets over-reacting to political and socio-economic news (remember the gyrations around Greece and the political gridlock in Washington), nothing could shake investors in 2017. The Brexit negotiations were going badly. No problem. NAFTA looked even worse. Ho hum. Korea has the bomb. It won't happen. China is trying to rein in debt. For sure it won't happen. And Trump's tweets? Well, just entertainment.

In light of this macro complacency, stock market volatility has been as low as it gets. There have only been three days this year when the MSCI All-Country World Index was up or down more than one per cent, and none over two per cent. The stock market was calmer than Tom Brady in the fourth quarter.

Meanwhile, the factors that really drive stock prices kept getting better. We had broad-based economic and employment growth, and hyper-stimulative interest rates. Talk about a great combination — a strong economy and crisis-level monetary policy. Investors had central bankers in their pocket.

With business activity came healthy profits. Year-to-date, operating earnings for the companies in the S&P 500 Index are up in the neighbourhood of 20 per cent. Low rates, cheap energy and continued industry consolidation all helped the cause.

And as for valuations, which are always the biggest swing factor for asset prices, the ratios stayed high or expanded further.

For instance, in fixed income, interest rates started to rise in the summer, but this normalization quickly petered out. Government of Canada 10-year bond yields remain below two per cent, and in Europe and Japan there are US$11 trillion of bonds trading at negative yields.

With rates so low, a major feature of 2017 was the availability of credit to anyone who wanted it. Lower-rated corporations and governments issued bonds at remarkably low yields and were able to do it with a minimum of restrictive covenants. Buyers of high yield bonds didn't appear to be worried about the risk of default. The poster child for this trend came in June when Argentina issued 100-year bonds with a coupon of eight per cent. The offering was three times over-subscribed, even though Argentina has defaulted five times in the last century, most recently in 2014.

As mentioned, stock prices were supported by growing corporate earnings, and the multiple on these earnings stayed at a historically high level. Normally record profits garner a lower price-to-earnings ratio in anticipation of more challenging times ahead, but so far this hasn't been the case. And high multiples weren't limited to the public markets. Recent data from Pitchbook shows that private equity firms are paying a 20 per cent higher earnings multiple for acquisitions than they were five years ago.

As this combination of positive drivers came together and my year of discomfort developed, there was one other major development. Warren Buffett's 'Fear versus Greed' meter moved decidedly towards the Greed side. Consumer confidence rose to cyclical highs in Canada and the U.S., and investor confidence went along with it. People are bullish again. As one of many pieces of evidence, it was reported that cash held in Merrill Lynch client accounts is now at the lowest level (10 per cent) since 2007. For context, the high mark was at the market bottom in March of 2009, when fear was rampant and cash levels hit 21 per cent.

And of course, we can't forget Bitcoin. This kind of speculative eruption doesn't happen when investors are fearful.

Strong market returns and positive investor sentiment reflect the fact that all the ducks were lined up in 2017. There have been many years when returns were better, but most represented recoveries from market selloffs. Not the case for 2017. It was the ninth year of a bull market.

Will the ducks stay in formation for a 10th year? Will investors' mood remain positive? I'll weigh in on 2018 in my next column. In the meantime, have a happy (and hopefully less paranoid than mine) holiday season.

Steadyhand
10 YEARS

Where to from here?

Everything went right for investors in 2017. But is your portfolio positioned suitably for 2018 and beyond?

Watch our annual client presentation for our latest advice and views on the road ahead. This year's presentation will be in video format and will be posted on our blog and website on January 17.

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