

Steadyhand

Q2
2018

“Last quarter’s performance is a reliable indicator of last quarter’s performance.”

- Steadyhand investment truth



Bradley's Brief



I asked the team what our clients' biggest concerns are these days. The response was unanimous — trade. How will Canada, a nation heavily dependent on exports, be impacted by global trade conflicts and the NAFTA negotiations. More specifically, how will the Steadyhand portfolios be impacted.

I'll start with trade and then discuss our strategy more broadly.

Front page news items, be they political or economic, rarely have an impact on long-term investment returns. Trade is an exception to this. In our highly integrated world, changing the rules and putting up barriers will have an impact on economic activity and corporate profits.

Having said that, trade is complicated and dynamic (action prompts reaction). There are many variables to consider, including tariffs, currencies, input prices and competitive position. While we all agonize over who the winners and losers are going to be, the worst outcome is already playing out — uncertainty is impacting business and public policy decisions.

Our fund managers haven't meaningfully altered their strategies due to this uncertainty, although they do have a bias. For reasons beyond trade, our portfolios have limited exposure to the domestic economy. For example, half the stocks in the Founders Fund are headquartered in Canada, but like our foreign holdings, a majority of them derive most of their revenue and profits from other parts of the world. We have limited holdings in the sectors most dependent on the Canadian economy, namely banking, retailing and real estate. Suffice to say, if the NAFTA negotiations go spectacularly well, your portfolio won't fully participate in the good news.

As for our strategy overall, there's been no change. We remain cautious. Our managers all feel that asset prices are high relative to historical levels. On the secure side of your portfolio (i.e. fixed income), that means holding

fewer corporate bonds, particularly ones that have a higher risk of default. Our manager, Connor, Clark & Lunn, is biding its time by holding more Provincial and high quality corporate bonds.

As the second quarter progressed, our equity fund managers were actively taking profits on their winners and were in no hurry to redeploy the proceeds. Despite choppy markets and rising profits, bargains are still hard to find. The focus continues to be on companies that have resilient businesses. In other words, firms that are well financed, stable enough to sustain their dividends and positioned to weather, or even benefit, from a downturn. We currently have limited exposure to the highly-cyclical resource sectors and don't own any of the high-flying FAANG stocks (Facebook, Apple, Amazon, Netflix and Alphabet/Google).

On a personal note, I find this stage in the cycle to be the most challenging. Clients' return expectations are higher while the potential for returns is lower. I'm referring to the fact that we've had 9 years of good returns, interest rates are low and there's a complacency around risk. While there's lots going on out there, we're focusing on preserving capital and waiting for bargains to reappear.

What do you need to do? Make sure you're on your plan and not taking undue risk. If you're not sure where you stand, our team is here to help. If you have time this summer, I'd encourage you to reach out to Lori, Chris, Evan or Scott for a portfolio review. They have more openings on their calendars at this time of year. In the meantime, I hope you can turn down the trade noise and enjoy the summer.

Key Takeaways

Stocks

- It was a positive quarter for stocks in the developed world. The global economy continued to grow steadily, although concerns of a global trade war stemming from America's wide-ranging agenda on tariffs led to some jitters. Emerging markets lost ground, facing pressure from a stronger U.S. dollar and worsening investor sentiment.
- The Canadian market (S&P/TSX Composite Index) gained 6.8%. The price of oil rose more than 20%, which helped drive energy stocks higher.
- Currency movements had a modest impact on foreign stock returns. Specifically, the Canadian dollar rose against the Japanese Yen (+2%), Euro (+3%), and British Pound (+4%), which decreased the value of foreign stocks in Canadian dollar terms.

Market Returns

	3M	1Y
Canada	6.8%	10.4%
World	3.8%	12.8%

Bonds

- The Canadian bond market (FTSE TMX Canada Universe Bond Index) provided a total return (interest and capital appreciation) of 0.5% in the quarter.
- Interest rates were largely unchanged: the 10-year Government of Canada bond yield rose modestly to 2.2% (from 2.1%); longer-term yields were unmoved; and the Bank of Canada left its key short-term lending rate at 1.25%.

	3M	1Y
Bonds	0.5%	0.8%

Our Funds

- Our funds all had a positive quarter, with the Equity Fund and Small-Cap Fund leading the way. Balanced clients experienced returns of roughly 2%. Over the past 10 years, our balanced portfolios are up between 6% to 7% per year.
- The stock weighting in the Founders Fund increased slightly due to strong returns from our equity funds, but remains below its long-term target.
- Our foreign stock exposure has a tilt towards Europe and Asia, rather than the U.S.
- In the context of our balanced portfolios, key transactions in the quarter included the purchase of CHINA MOBILE (China) and WABCO HOLDINGS (U.S.), and the sale of UBISOFT ENTERTAINMENT (France), HSBC (U.K.) and MEG ENERGY (Canada).

Fund Returns

	3M	1Y
Savings	0.4%	1.1%
Income	1.6%	1.3%
Founders	2.1%	5.8%
Equity	5.1%	9.6%
Global	0.6%	7.3%
Small-Cap	4.6%	22.7%

Our Advice to Clients

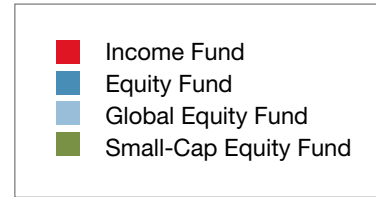
We recommend that your equity weighting be no higher than called for in your long-term plan. In the Founders Fund, our equity exposure is below its target of 60%, as we feel valuations are expensive. Our outlook for bonds is subdued as current yields are unattractive. As a result, we recommend a below-average 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. **We encourage you to watch our upcoming 'Mid-Year Review' video on our website for a broader review of our positioning.**

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.

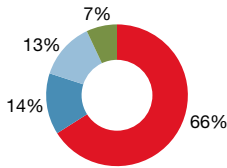


Steadyhand Portfolios (Hypothetical)*

Compound Annualized Returns, After-fee (as of June 30, 2018)



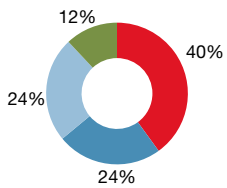
Balanced Income Portfolio (50/50)



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%	1.1%	4.6%	5.5%	4.4%	6.8%	6.4%

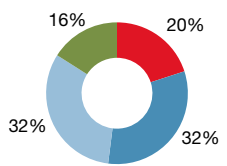
Balanced Equity Portfolio (70/30)



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

3M	YTD	1Y	2Y	3Y	5Y	10Y
2.5%	1.8%	7.2%	8.6%	5.7%	8.5%	6.7%

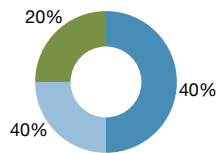
Growth Portfolio (85/15)



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

3M	YTD	1Y	2Y	3Y	5Y	10Y
2.9%	2.3%	9.2%	11.1%	6.8%	9.7%	6.8%

Aggressive Growth Portfolio (100/0)



Long-term asset mix:
 Fixed Income – 0%
 Cdn Equities – 40%
 U.S. Equities – 30%
 Overseas Equities – 30%

3M	YTD	1Y	2Y	3Y	5Y	10Y
3.2%	2.8%	11.2%	13.6%	7.8%	10.9%	6.9%

Capital Market Performance (as of June 30, 2018)

	3M	YTD	1Y	2Y	3Y	5Y	10Y
Cash (FTSE TMX Canada 91 Day T-Bill Index)	0.3%	0.6%	1.0%	0.7%	0.6%	0.7%	0.9%
Cdn Bonds (FTSE TMX Canada Universe Bond Index)	0.5%	0.6%	0.8%	0.4%	2.0%	3.5%	4.5%
Cdn Stocks (S&P/TSX Composite Index)	6.8%	1.9%	10.4%	10.7%	7.0%	9.2%	4.2%
Cdn Small Cap Stocks (S&P/TSX SmallCap Index)	6.6%	-1.7%	5.4%	4.6%	6.3%	6.5%	2.3%
Global Stocks (Morningstar Developed Markets Index)	3.8%	5.6%	12.8%	15.6%	10.5%	15.2%	9.5%

*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.

Portfolio Specifics

- The fund posted a positive return in the quarter, driven by the performance of our equity funds.
- Global stocks have been the fund's strongest performers over the last five years, but it was Canadian equities that led the charge this quarter. A rise in oil prices lifted energy stocks, which account for a significant part of local equity markets.
- The fund continues to be cautiously positioned, as our managers are struggling to find cheap stocks. As a result, we feel it's prudent to have below-average exposure to equities at this time. The fund's current weighting in stocks is 54%, which is 6% below its long-term target of 60%.
- Financial services account for the largest part of the fund's equity holdings (20%), but only 7% is in Canadian financials. An important feature of the fund is that its financial holdings are diversified across the world. They include Asian banks (BANK MANDIRI, BANGKOK BANK, SMFG), European banks (ING, COMMERZBANK, RBS), and American financials (VISA, SYNCHRONY, CBOE HOLDINGS).
- The bond allocation sits at 28%, which is below the long-term target (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 (rise) over time (when bond yields go up, prices come down). We don't view the asset class as particularly attractive, yet we also see the value in always remaining well diversified.
- Our below average weighting in both stocks and bonds has led to a higher than normal weighting in cash. Between the Savings Fund and cash held in the equity funds, it finished the period at 18%. Although cash offers little in the way of yield, it provides protection against rising interest rates and is a ready source of liquidity in volatile markets.

Positioning

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

The fund was up 2.1% in the quarter. Since inception (Feb 2012), it has a cumulative return of 60%, which equates to an annualized return of 7.7%.

Fund Mix

Income	38%
Equity	20%
Global	19%
Savings	13%
Small-Cap	9%



Asset Mix



Foreign Stocks	27%
Canadian Stocks	27%
Gov't Bonds	18%
Corporate Bonds	10%
Cash & Short-term	18%

Fund size \$436,281,733



Founders Fund

Attributes

Top Stock Holdings (% of Fund)

TD Bank	1.9%
Suncor Energy	1.4%
CN Rail	1.2%
Visa	1.2%
Novartis	1.2%
Franco-Nevada	1.1%
Nutrien	1.0%
PrairieSky Royalty	0.9%
CAE	0.9%
Novozymes	0.8%

Sector Allocation (Stocks)

Industrial Goods & Svc	22.0%
Financial Services	19.7%
Oil & Gas	12.4%
Retailing	7.3%
Healthcare	7.0%
Consumer Cyclical	6.6%
Comm. & Media	4.8%
Real Estate	4.4%
Consumer Products	4.2%
Technology	4.0%
Basic Materials	3.8%
Utilities & Pipelines	3.1%

Asset Mix

Long-term		Current
15%	Overseas Stocks	20%
15%	U.S. Stocks	7%
30%	Canadian Stocks	27%
35%	Bonds	28%
5%	Cash	18%

Performance

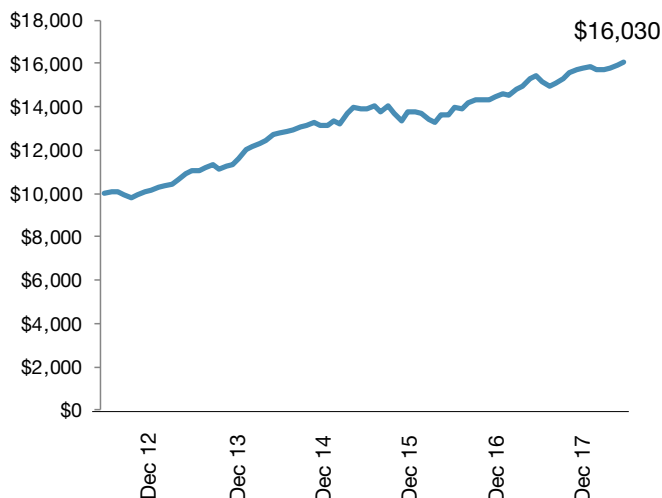
Compound Annualized Returns (as of June 30, 2018)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep ¹
Founders Fund (after-fee)	2.1%	1.5%	5.8%	7.5%	5.2%	7.6%	N/A	7.7%
FTSE TMX Canada Universe Bond Index	0.5%	0.6%	0.8%	0.4%	2.0%	3.5%	N/A	3.1%
S&P/TSX Composite Index	6.8%	1.9%	10.4%	10.7%	7.0%	9.2%	N/A	7.5%
Morningstar Developed Markets Index*	3.8%	5.6%	12.8%	15.6%	10.5%	15.2%	N/A	15.3%

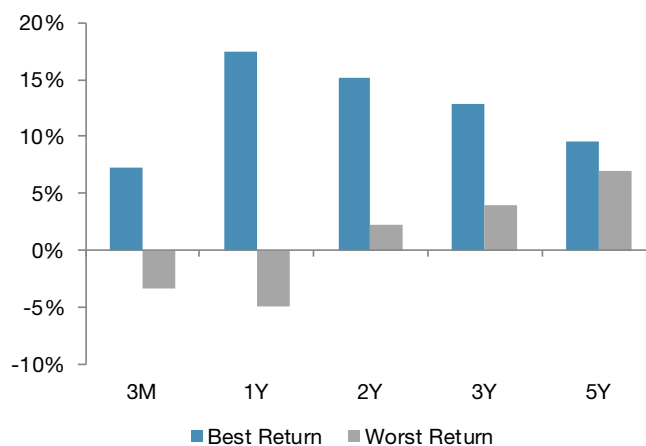
*We are now using the Morningstar Developed Markets Index as a reference for the global stock market, as it has become cost prohibitive to use the MSCI indexes.

¹Feb 17, 2012

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Income Fund

Market Context

- The Canadian bond market rose 0.5% in the quarter (interest and capital appreciation).
- Bond yields ended the quarter slightly higher, with the 10-year Government of Canada yield rising to 2.2% (from 2.1%).
- The Canadian stock market gained 6.8% on the strength of energy stocks.

Portfolio Specifics

- Bonds comprise 76% of the fund. This component provided a positive return in the quarter, with provincial and corporate bonds leading the way.
- The manager, Connor, Clark & Lunn, took some profits in provincial bonds (primarily Ontario and Newfoundland) and added modestly to the fund's corporate holdings. The additions were focused in the utilities sector — more specifically, bonds issued by ENBRIDGE and TRANSCANADA PIPELINES.
- The fund's bond strategy continues to be defensive, based on CC&L's view that economic growth is strong but peaking, and downside risks are growing in the Canadian economy in the form of a turning housing market, slower consumer spending, and unpredictable trade actions coming from the U.S. Our focus is currently on higher-quality bonds, including banks, utilities, and telecoms.
- High yield bonds continue to comprise a smaller-than-normal part of the fund (2%), as the manager feels their risk/return profile isn't attractive right now.
- Stocks make up 24% of the fund. Sectors of focus include financial services, industrial goods, energy and utilities. This part of the portfolio has been an important contributor to performance this year. Several holdings posted double-digit gains in the second quarter, including WSP GLOBAL, NUTRIEN and TMX GROUP.
- The manager's equity strategy is focused on companies that are growing their dividend (as opposed to high dividend payers), as well as businesses that will benefit from continued growth in capital expenditures and infrastructure spending.
- Financial stocks are a key area of investment and include a diverse range of businesses such as banks (TD, ROYAL, SCOTIA), insurers (MANULIFE, SUN LIFE, INTACT), information providers (THOMSON REUTERS), and stock exchanges (TMX GROUP).
- The fund paid a distribution of \$0.045/unit at the end of June. Its pre-fee yield is 3.0%.

Positioning

- The fund's bond strategy is cautious. Focus is on higher-quality securities that also have good liquidity (i.e., they can be easily bought and sold).
- Stocks remain an important source of diversification and yield. The manager has a current bias towards large-cap stocks and those that are more cyclical in nature.

The fund was up 1.6% in the quarter. Since inception (Feb 2007), it has a cumulative return of 84%, which equates to an annualized return of 5.5%.

Notable Stock Transactions

Buy

Maple Leaf Foods*
Shaw Communications
CN Rail
Vermilion Energy

*New Holding

Trim/Sell

Restaurant Brands Int'l.¹
SmartCentres REIT¹
SNC-Lavalin Group

¹Position eliminated

Fund size	\$87,682,329
Pre-fee Yield	3.0%
Avg Term to Matur.	10.5 yrs
Duration	7.6 yrs



Income Fund

Attributes

Top Holdings (% of Fund)

Ontario 2.85% (Jun/23)	8.0%
Quebec 3.00% (Sep/23)	7.0%
Ontario 3.50% (Jun/24)	3.1%
Quebec 3.50% (Dec/48)	2.8%
Canada 2.00% (Sep/23)	2.7%
Canada 5.00% (Jun/37)	2.7%
Ontario 2.60% (Jun/25)	2.3%
TD Bank	2.1%
CC&L High Yield Bond Fd	2.0%
Royal Bank	1.9%

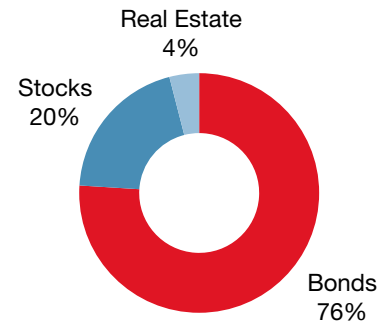
Issuer Allocation (Bonds)

Federal Government	15%
Provincial Government	49%
Corporate	36%

Rating Summary (Bonds)

AAA	21%
AA	51%
A	16%
BBB	10%
BB (or lower)	2%

Asset Mix



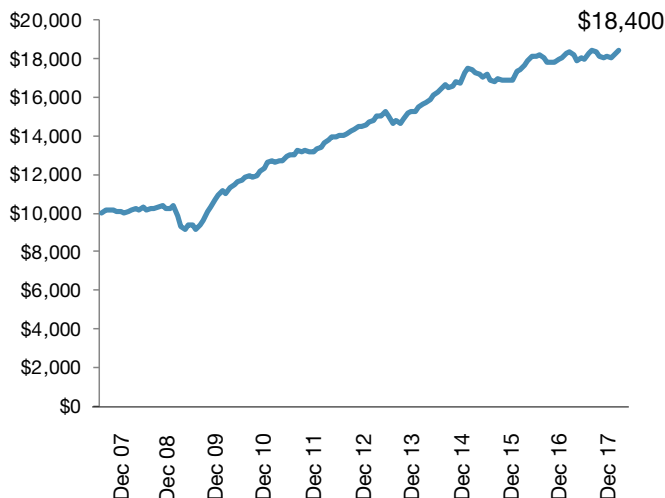
Performance

Compound Annualized Returns (as of June 30, 2018)

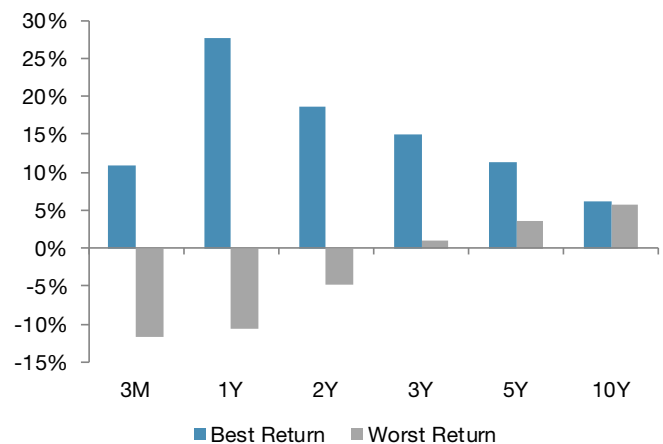
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
Income Fund (after-fee)	1.6%	0.2%	1.3%	1.5%	2.6%	4.7%	6.0%	5.5%
FTSE TMX Canada Universe Bond Index	0.5%	0.6%	0.8%	0.4%	2.0%	3.5%	4.5%	4.5%
S&P/TSX Composite Index	6.8%	1.9%	10.4%	10.7%	7.0%	9.2%	4.2%	5.0%

*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) gained 6.8% in the quarter on the strength of energy stocks, which benefited from a rising oil price.
- Global stocks, as measured by the Morningstar Developed Markets Index, gained 3.8% in Canadian dollar terms.

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.
- Energy holdings were a bright spot in the quarter. SUNCOR and PASON SYSTEMS benefited from a stronger oil price, with both stocks gaining more than 20%. RITCHIE BROS. AUCTIONEERS, an industrial equipment auctioneer, also had a strong quarter as energy companies account for a large percentage of its customers.
- NOVARTIS was in the news again, as the healthcare company confirmed that it will spin off its troubled eye care unit, Alcon. The transaction, expected to bring in \$25 billion, is part of an effort to focus on its core operations – pharmaceuticals. The manager, Fiera Capital (formerly CGOV), views this as a positive development.
- Portfolio turnover has been low in 2018. No new stocks have been added to the fund and none have been removed. Rather, Fiera has focused on adding to stocks that have fallen for reasons that aren't related to the fundamentals of the underlying business, and trimming stocks that have 'gotten ahead of themselves.'
- Examples of stocks that have been added to on weakness include FEMSA and STARBUCKS. FEMSA, a Mexican convenience store operator and Coca-Cola bottler, suffered from a declining Peso in the quarter. Starbucks has been cutting costs and closing underperforming stores, which caused concern among investors. Both companies are industry leaders and have good long-term growth prospects in the manager's view.
- EVERTZ TECHNOLOGIES is another compelling story, as it's trading near a 52-week low in spite of its appealing attributes. The company is a leader in developing equipment for the broadcast and film industries (its software is seeing wide usage by World Cup broadcasters). Evertz generates great returns on invested capital. Its revenues can be lumpy, however, and it's an illiquid stock. Additional shares were purchased.
- The fund currently has a cash position of 4%.

The fund was up 5.1% in the quarter. Since inception (Feb 2007), it has a cumulative return of 113%, which equates to an annualized return of 6.9%.

Notable Transactions

Buy

Evertz Technologies
 PrairieSky Royalty
 FEMSA
 Starbucks

Trim/Sell

Magna International

Positioning

- While there aren't a lot of bargains to be found, Fiera feels there are still good reasons to be optimistic about the fund. The global economy continues to grow and a portfolio of world-leading brands should be well positioned to grow their earnings.
- Foreign stocks are a key part of the fund, notably in the healthcare, retailing and consumer sectors.

Fund size	\$110,717,127
No. of stocks	25



Equity Fund

Attributes

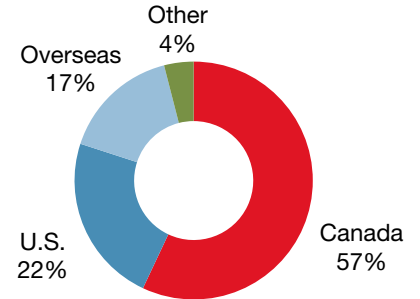
Top Stock Holdings

Suncor Energy	6.0%
Visa	5.9%
Franco-Nevada	5.4%
TD Bank	5.4%
PrairieSky Royalty	4.3%
Nutrien	4.3%
Novozymes	4.1%
CBOE Holdings	4.1%
CN Rail	4.1%
CCL Industries	4.0%

Sector Allocation (Stocks)

Industrial Goods & Svc	24.7%
Financial Services	20.1%
Oil & Gas	13.5%
Basic Materials	10.1%
Retailing	10.0%
Consumer Products	6.1%
Technology	5.7%
Healthcare	4.0%
Consumer Cyclical	3.7%
Utilities & Pipelines	2.1%

Geographic Profile (Stocks)



Performance

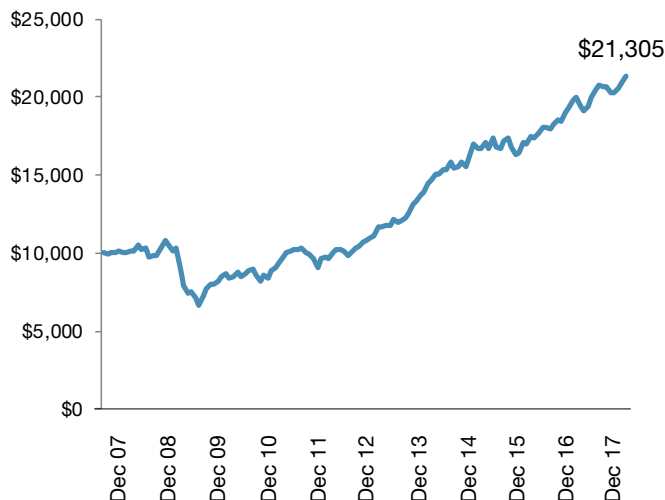
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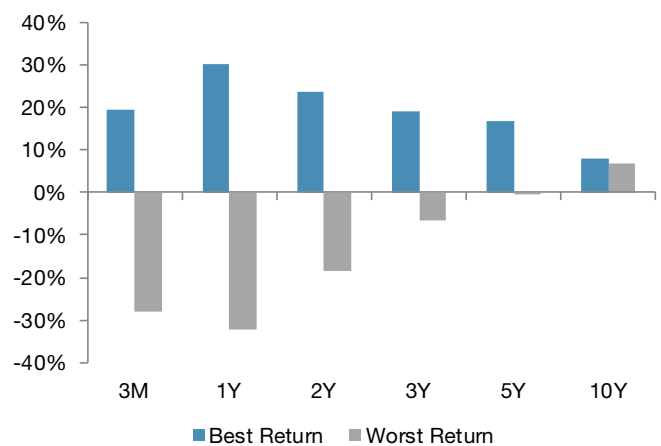
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¹Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Global Equity Fund

Market Context

- Global stocks, as measured by the Morningstar Developed Markets Index, were up 3.8% in Canadian dollar terms in the quarter.
- Markets in Europe and Japan were flat, on average. Emerging markets declined nearly 10%, while U.S. stocks (S&P 500 Index) gained 3.4% in U.S. dollars.
- The loonie strengthened against the Euro and Yen, which dampened the fund's return.

Portfolio Specifics

- The fund holds 42 stocks across 16 countries. European stocks (including the U.K.) make up 46% of the fund, Asian stocks 42%, and U.S. 12%.
- Energy stocks have been among the strongest contributors to performance in 2018, as the price of oil has risen more than 20%. The fund's focus is on large multinational oil & gas producers, including ROYAL DUTCH SHELL, TOTAL, ENI and BP.
- Some European holdings have sold off recently on fears of an escalating trade war with the U.S. COMMERZBANK in particular had a weak quarter. TESCO, a retailer with operations in the U.K. and eastern Europe, bucked the trend, rising 25%.
- Healthcare investments have been the fund's biggest area of weakness this year, marking a reversal from last year. NOVARTIS, ROCHE and CELGENE have seen price declines based in part on poor sentiment towards pharmaceutical companies. The manager, Edinburgh Partners (EP), continues to like these businesses for their attractive dividends, reasonable valuations and promising drug pipelines.
- EP sees increasing value in the telecom sector, purchasing three new companies this year — SINGTEL, VERIZON, and most recently, CHINA MOBILE. These stocks pay healthy dividends and have solid earnings outlooks. The sector is defensive in nature, which EP feels is appealing in the current economic environment.
- Two banks were sold based on strong performance, CREDICORP and HSBC. Banks still remain an important area of investment, however. With interest rates rising, these businesses should see a pick-up in interest margins and profitability. Further, holdings such as ING GROEP and DBS, which have a strong technology backbone, are well positioned to capitalize on the growing shift towards digital banking.
- The fund currently has a cash position of 11%.

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.
- Edinburgh Partners believes we're in the early innings of a rotation by investors out of high growth companies into more value oriented stocks. The fund is positioned to benefit from such a rotation.

The fund was up 0.6% in the quarter. Since inception (Feb 2007), it has a cumulative return of 47%, which equates to an annualized return of 3.4%.

Notable Transactions

Buy

China Mobile*
Total S.A.
Celgene
Verizon Communications
*New Holding

Trim/Sell

HSBC¹
Ubisoft Entertainment¹
Credicorp¹
¹Position eliminated

Fund size	\$94,497,374
No. of stocks	42



Global Equity Fund

Attributes

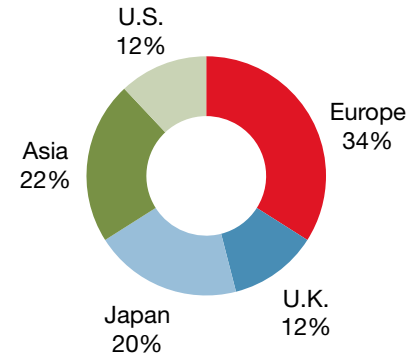
Top Stock Holdings

Roche	3.1%
Verizon Comm.	3.1%
Royal Dutch Shell	3.0%
Apache	2.8%
AstraZeneca	2.7%
Tesco	2.6%
Eni	2.6%
Total	2.5%
BP	2.5%
Panasonic	2.5%

Sector Allocation (Stocks)

Financial Services	23.5%
Healthcare	17.8%
Oil & Gas	15.0%
Comm. & Media	10.6%
Consumer Cyclical	10.3%
Industrial Goods & Svc	8.2%
Retailing	7.3%
Technology	5.1%
Consumer Products	2.2%

Geographic Profile (Stocks)



Performance

Compound Annualized Returns (as of June 30, 2018)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep ¹
Global Equity Fund (after-fee)	0.6%	1.3%	7.3%	15.4%	6.5%	11.4%	6.6%	3.4%
Morningstar Developed Markets Index*	3.8%	5.6%	12.8%	15.6%	10.5%	15.2%	9.5%	6.5%

*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.

¹Feb 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) gained 6.6% in the quarter. A strong rebound in resource stocks help fuel the rise.
- U.S. small-caps gained 10.1% (Russell 2000 Index) in Canadian dollar terms.

Portfolio Specifics

- The fund consists of 24 companies, ranging from very small (e.g. BRICK BREWING) to medium-sized businesses (e.g. STERICYCLE). While the majority of holdings are Canadian, there are four U.S. stocks which make up 19% of the portfolio.
- The fund produced a strong return despite having a small weighting in energy and commodity-related stocks. Resource companies account for more than half of Canadian small companies, but most do not meet the manager's investment criteria.
- Of note, MEG ENERGY more than doubled in the quarter. The manager, Galibier Capital, sold the stock as it now sees much less upside potential. CARDINAL ENERGY was purchased in its place. Cardinal produces roughly 20,000 barrels of oil a day, pays an attractive dividend and offers good value in Galibier's view.
- Transportation-related companies remain an area of focus. Holdings include NEW FLYER INDUSTRIES, EXCHANGE INCOME and CARGOJET. Two new U.S. holdings were also added, WABCO HOLDINGS and OSHKOSH CORPORATION. WABCO is a provider of truck braking systems, and Oshkosh is a heavy-duty vehicle manufacturer. Both are steady growth stories that have a sustainable competitive advantage.
- The above-mentioned purchases brought the fund's weighting in U.S. stocks back near the 20% level. The four American companies in the portfolio are all mid-cap stocks, which brings an added element of diversification.
- It wasn't all roses in the second quarter. UNI-SELECT and MIDDLEBY weighed on performance. Uni-Select, which distributes auto paints and parts, has come under pressure from Amazon, but Galibier feels Uni-Select has a distribution advantage. Middleby has experienced delays on orders for its industrial ovens, but the manager sees this as a temporary setback. Additional shares of both stocks were purchased.
- The fund currently has a cash position of 5%.
- The fund has gained 32.0% since September 30, 2016, which is Galibier's starting date as portfolio advisor. The index is up 4.2% over the same period.

Positioning

- The portfolio has a unique composition, with key areas of investment including capital goods, transportation, food & beverages, and consumer services. This is in contrast to the market and its focus on resource companies.
- The fund has produced stellar results over the past several quarters but investors should be reminded that it's likely to lag in a market driven by resource stocks.

The fund was up 4.6% in the quarter. Since inception (Feb 2007), it has a cumulative return of 132%, which equates to an annualized return of 7.7%.

Notable Transactions

Buy

WABCO Holdings*
Cardinal Energy*
Oshkosh Corporation*
NFI Group

*New Holding

Trim/Sell

Enghouse Systems¹
MEG Energy¹
Points International

¹Position eliminated

Fund size	\$65,949,844
No. of stocks	24



Small-Cap Equity Fund

Attributes

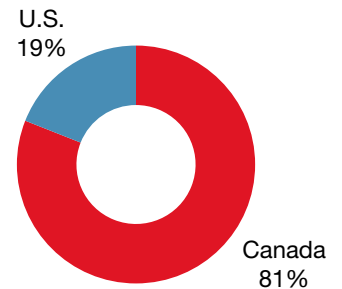
Top Stock Holdings

Maxar Technologies	5.1%
The Middleby Corp.	5.0%
Stantec	5.0%
Spin Master	4.9%
Alcanna	4.9%
Stericycle	4.8%
Winpak	4.7%
Park Lawn	4.7%
NFI Group	4.5%
Brick Brewing	4.4%

Sector Allocation (Stocks)

Industrial Goods & Svc	53.5%
Consumer Cyclical	17.5%
Oil & Gas	5.7%
Technology	5.2%
Retailing	5.0%
Consumer Products	4.5%
Real Estate	4.3%
Utilities & Pipelines	3.0%
Comm. & Media	1.3%

Geographic Profile (Stocks)



Performance

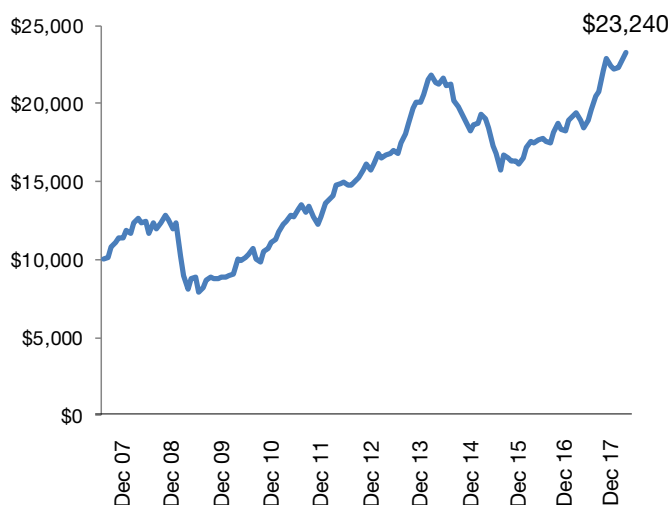
Compound Annualized Returns (as of June 30, 2018)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep ¹
Small-Cap Equity Fund (after-fee)*	4.6%	5.0%	22.7%	15.2%	8.0%	6.7%	6.3%	7.7%
S&P/TSX SmallCap Index	6.6%	-1.7%	5.4%	4.6%	6.3%	6.5%	2.3%	1.8%
Russell 2000 Index (\$Cdn)	10.1%	13.0%	19.3%	21.8%	13.0%	17.6%	13.5%	9.0%

*The fund has gained 32.0% since September 30, 2016, which is Galibier's starting date as portfolio advisor. The Canadian index is up 4.2% over the same period.

¹Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Savings Fund

Market Context

- The Bank of Canada kept its key lending rate unchanged in the quarter, at 1.25%.
- In its May statement, the BoC emphasized that global growth remains broadly on track with its forecast. Exports and business investment are recovering, but the housing market has softened as it continues to adjust to new mortgage guidelines.
- Overall, the central bank feels that higher interest rates will be warranted to keep inflation near its 2% target, but investors should expect a gradual approach to rate adjustments.

Positioning

- The manager’s (Connor, Clark & Lunn) preference for corporate paper continued to add value for the portfolio in the second quarter.
- Corporate notes (including bank paper, floating rate notes and short-dated bonds) comprise 70% of the fund.
- Investments in T-Bills remain focused on provincial securities (30% of the fund).
- The pre-fee yield of the fund at the end of June was 1.6%.

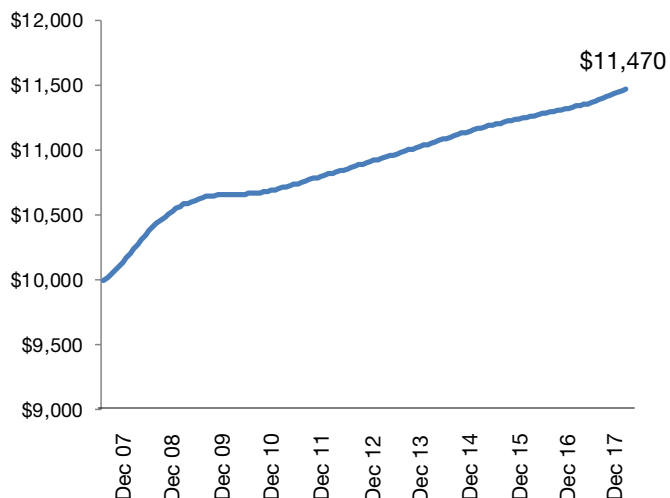
Performance

Compound Annualized Returns (as of June 30, 2018)

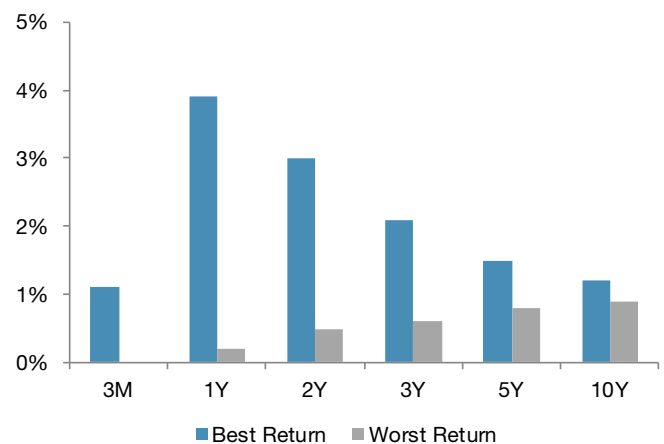
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
Savings Fund (after-fee)	0.4%	0.7%	1.1%	0.9%	0.8%	0.9%	0.9%	1.2%
FTSE TMX Canada 91 Day T-Bill Index	0.3%	0.6%	1.0%	0.7%	0.6%	0.7%	0.9%	1.3%

*Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Stock Snapshot

WABCO

Overview

WABCO manufactures safety components for trucks and other heavy-duty vehicles. Its products include anti-locking braking systems, electronic braking systems, air disc brakes, and lane departure warning systems.

Though listed on the New York Stock Exchange, most of its revenues come from outside North America: WABCO generates more than 50% of its sales in Europe, and 25% in Asia.

The stock was recently purchased in our Small-Cap Equity Fund and has a weight of 4.1%.

Investment Case

WABCO is just one of three manufacturers of truck braking systems and has the leading market share in each of the products it builds (with the exception of air disc brakes, where it ranks second). New entrants face a tough time entering the industry, as product testing can take years and vehicle manufacturers are unlikely to change suppliers once braking systems are approved.

WABCO is also experiencing some structural tailwinds. Vehicle manufacturers are being forced to incorporate new braking technology because of changing regulations. These rules have already taken hold in Europe where WABCO derives the bulk of its revenues. Adapting to the European rules has helped the company establish a technological edge, which it should be able to apply in other regions.

The move to driverless technology also has the potential to further grow WABCO's business. It produces lane departure warning, driver assistance, and driverless steering systems. Additionally, electronic braking, in

which it is a leader, is a key input in enabling successful autonomous driving.

Risks to Outlook

Laws are in the hands of politicians, who have a reputation for dragging their feet (some might say the reputation is well deserved). Delays in regulations will slow the company's growth. Moreover, although there is a lot of excitement about driverless technology, adoption may take years.

An interesting fact: WABCO was founded by legendary inventor George Westinghouse in 1869 and originally stood for Westinghouse Air Brake Company. It created the first air brake system for trains that was nearly universally adopted by railways. Modern trains still use similar brakes in various forms of the design.

WABCO Holdings: Price History



Source: Reuters



Here's where your investing returns really come from Special to the National Post, by Tom Bradley (May 5, 2018)

When markets are good, advisers and portfolio managers get too much credit for investment returns. Clients are happy that their nest egg is growing and attribute their good fortune to their provider.

Conversely, when markets are bad, investment professionals take the heat, whether it's fair or not.

I've been thinking about this because we started our firm in 2007. I know, it wasn't great timing, but the good thing is that most of our clients joined us after 2008. They've had an uninterrupted string of positive returns since they joined and many have credited us with undue brilliance.

My point is, before you praise or criticize, it's useful to understand where your portfolio returns are coming from. Below, I'll lay out the basic sources of return in the order of importance.

Markets

How bonds and stocks are doing is the single most important determinant of how well you're doing. No matter if you have an indexed portfolio or are pursuing active strategies, the direction and magnitude of your returns will be driven by the markets. Your stocks and equity funds won't be up when the markets are down (and vice versa) except in rare and temporary circumstances. Similarly, your fixed-income holdings won't buck the trends in interest rates and credit spreads, no matter how unique your approach is.

Asset mix

You can't control the markets, but there are things you can control. The biggest lever you have for balancing return and risk is your asset mix. Your portfolio's blend of asset types - cash; bonds; stocks; and real estate - should fit your goals, time frame, risk tolerance and personality.

Cost

The cost of investing is always important. Research has repeatedly shown that the most consistent differentiator between investment approaches is cost, with low fees being the winner. In the 2 per cent interest rate world we find ourselves today, the impact of fees, commissions and administrative charges is magnified.

Security selection

Being an old stock analyst, it kills me to say this, but security selection, whether it's done by a professional manager or yourself, comes in a distant fourth on the list. The latest hot stock gets all the attention, but in the grand scheme of things, its impact is limited.

This lower placement assumes that the portfolio is reasonably diversified across geographies and industries. If, on the other hand, it's characterized by a limited number of large, thematic bets (i.e. precious metals; Canadian banks; REITs; technology; or cannabis), then the stock picks increase in importance, for better or worse.

The wildcard

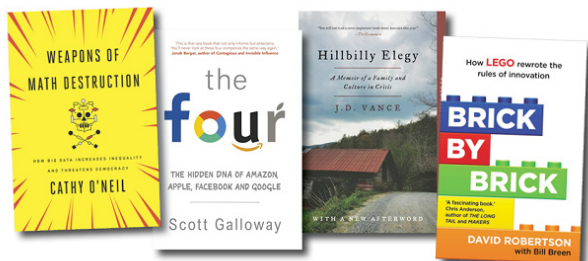
At this stage, my nice, tidy list gets messier. That's because the fifth source of return can be slotted in anywhere. It depends on you. Your behaviour can be an important swing factor. If your actions show discipline, patience and courage (when needed), this item is at the bottom of the list. Your returns will come from markets, asset mix, cost and to a small extent, the securities you select.

Conversely, if you don't have a plan, are inclined to make frequent changes and ignore the cost side, your conduct moves to the top of the list, usually with negative implications. The size, frequency and timing of your moves could overwhelm the other factors.

I started by saying that investors give their investment professionals too much credit, both good and bad. That's true, although the industry has contributed greatly to the situation. We get too much credit because we take too much credit. You've heard it said many times, "Your good results are because of me. The bad ones? Oh, it was the market."

In assessing your provider, it's important to go beyond your initial reaction - Am I up or down this year? You must look at your results in relation to the market environment and your asset mix. Service and responsiveness should be factored in, as well as cost. And finally, the biggie - is your adviser or portfolio manager helping you to be a better investor - informed, disciplined, patient and courageous?

Steadyhand



Summer Reading

Looking for a good read? Behold our annual [Summer Reading List](#). This year's recommendations include a little bit of everything, from business to bridge to ... hillbillies.

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