

# Steadyhand

**Q2**  
2019

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“The stock market is a device for transferring money from the impatient to the patient.”

- Warren Buffett



## Bradley's Brief



The bond market, or what's known as the 'senior' market, is sounding warning bells. It's saying there's trouble ahead.

So far this year, interest rates in Canada are down about half a percent from already recessionary levels. This is part of a worldwide trend of declining yields which includes countries that have little room to go lower. Indeed, the amount of bonds that have a negative yield is on the rise again (\$USD 12 trillion and counting). Yes, you heard right. The lender pays the borrower to hold the money.

Negative rates are wacky enough, but consider that at the same time, stocks and other risk assets are doing just fine. Volatility in the stock market is low. Demand for high risk bonds and loans is strong. There's been a wave of initial public offerings (IPO) in the U.S., most of which are losing money. And the ultimate speculative vehicle, Bitcoin, is rallying.

Don't get me wrong. It's not unusual for the outlook to be uncertain. It always is. We never know what's going to happen next. But when things don't seem to make sense (bonds worried; stocks oblivious), it usually turns out that something was amiss.

In his [latest letter](#), Howard Marks of Oaktree Capital Management reviews nine issues that investors are wrestling with. Is a recession avoidable? Do government deficits matter? Can interest rates stay perpetually low? You get the idea.

The most interesting part of the letter is not his assessment of each issue, but rather his observation that the market is "optimistic" on all nine. In other words, current securities prices are based on endless economic stimulation from low interest rates, no

recession, low inflation, and governments and corporations continuing to run up their debt with impunity. And when it comes to valuation, growth drives markets, not profits.

Clearly, the current consensus is saying stocks have it right and bonds are missing the boat. The truth will likely be somewhere in between. At Steadyhand, we think that debt has to be reckoned with, valuations are ultimately based on profits, and the economy is still cyclical (maybe even more so given the level of debt and other monetary stimulants). Sticking to this more fundamental view has held us back over the last year, but we believe it's the right road to attractive long-term returns.

This confusing landscape may be frustrating (at least to me) but it does create opportunities. Our managers continue to focus on companies that have sustainable profits and are positioned to prosper throughout the economic cycle. They've been more active than usual, trimming (or eliminating in some cases) stocks that have had big moves and became expensive, and adding to ones that are down. As you'll see in the following pages, our managers have also bought a number of new companies.

Our team of 16 (3 in Toronto and 13 in Vancouver) have been busy too, although never too busy to take your call or do a portfolio review. If we don't talk to you, however, we hope your summer is enjoyable, productive and less confusing than the investment landscape.



## Key Takeaways

### Stocks

- Stocks had a positive quarter, building on their gains from earlier in the year. The U.S. market (S&P 500 Index) was up 4%, key European markets gained 3-7%, while Japan was flat and China was down 4% (all in local currency terms).
- The Canadian market (S&P/TSX Composite Index) gained 2.6%. Technology and industrial stocks were strong performers while energy and healthcare stocks lagged.
- Currency movements had a modest impact on foreign stock returns. Specifically, the Canadian dollar rose against the U.S. dollar (+2%), British Pound (+5%), and Euro (+1%). This decreased the value of foreign stocks in Canadian dollar terms.

### Bonds

- The Canadian bond market (FTSE TMX Canada Universe Bond Index) extended its rally and provided a total return (interest and capital appreciation) of 2.5% in the second quarter.
- Global interest rates declined as the economic slowdown became more apparent. The 10-year Government of Canada benchmark yield fell from 1.6% to 1.45%.
- Corporate bonds performed well and benefited from a shift in stance by the U.S. Federal Reserve. The Fed noted that it would lower interest rates if necessary to help extend the business cycle.

### Our Funds

- Our funds had a positive quarter with the exception of the Global Fund. Our balanced clients' portfolios were up roughly 1% to 2%. Over the past 10 years, our balanced portfolios have returned 7% to 8% per year.
- The stock weighting in the Founders Fund was held steady at roughly 60%.
- In the context of our balanced portfolios, key transactions in the quarter included the purchase of CME GROUP (U.S.), TELUS (Canada) and BURFORD CAPITAL (U.K.), and the sale of CBOE HOLDINGS (U.S.), WABCO HOLDINGS (U.S.) and NOVOZYMES (Denmark).

## Our Advice to Clients

We recommend that your equity weighting be at your long-term target. In the Founders Fund, we increased our exposure to stocks late last year, bringing the weight back up to the fund's target of 60%. We feel valuations are reasonable again. Our outlook for bonds remains subdued as current yields are unattractive. As a result, we recommend a below-average position in the asset class, with cash as an alternative. In the Founders Fund, for example, 14% 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.

### Market Returns

	3M	1Y
Canada	2.6%	3.9%
World	1.5%	4.6%

	3M	1Y
Bonds	2.5%	7.4%

### Fund Returns

	3M	1Y
Savings	0.4%	1.8%
Income	1.9%	6.3%
Founders	1.5%	1.4%
Equity	4.8%	4.6%
Global	-2.2%	-9.4%
Small-Cap	1.9%	-6.5%
Global Small-Cap	N/A	N/A
Builders	N/A	N/A



## 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 funds.
- Steadyhand President 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

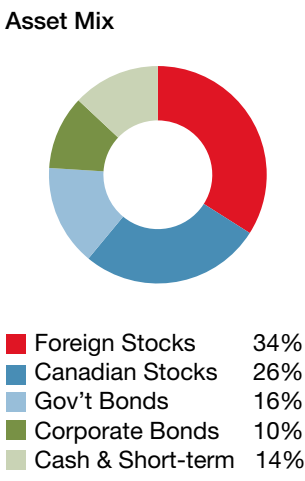
- The Founders Fund continued to benefit from rising bond and stock markets. It had an 8.1% return in the first half of the year. A few of the fund’s strategies have held back medium-term returns (specifically, limiting the exposure to higher risk bonds and an emphasis on value stocks in the Global Equity Fund). We believe, however, that they’re prudent diversifiers in what is a confusing investment landscape (see Bradley’s Brief).
- The fund is fully invested in stocks (60% of total assets) with 26% in Canadian-based companies and 34% in foreign. This is line with the long-term target.
- We remind investors that none of Steadyhand’s equity managers are constrained by borders. They have the flexibility to search widely for opportunities. The Canada-based companies are mostly global in nature and play to Canada’s strengths — banking, transportation, energy, and industrial services. The companies based in the U.S., Europe, and Asia are more focused on industries not available in Canada — healthcare, consumer products, and technology.
- The Global Small-Cap Equity Fund, which was launched in February, is now 3% of the Founders. Over time, this fund is expected to account for 4-8% of the fund.
- Our fund managers have been more active than usual. This is to be expected. Big price moves necessitate portfolio adjustments, with some stocks being trimmed or sold, and others added to. New holdings in the quarter include CME GROUP, TELUS and BURFORD CAPITAL, while CBOE HOLDINGS, WABCO HOLDINGS and NOVOZYMES were eliminated.

### Positioning

- We’re maintaining a full allocation to stocks although bonds will remain below target levels. Bonds provide insurance when stocks are weak (as was the case in the fourth quarter), but their long-term returns are expected to be modest.
- In lieu of a full allocation to bonds, we’re holding a larger cash reserve (14%). Although it offers little in the way of yield (similar to bonds), it provides protection against rising interest rates and is a ready source of liquidity.
- For more details on the underlying funds, please review pages 6-15.

The fund was up 1.5% in the quarter. Since inception (Feb 2012), it has a cumulative return of 63%, which equates to an annualized return of 6.7%.

Fund Mix	
Income	33%
Equity	22%
Global	21%
Savings	12%
Small-Cap	9%
Global Small-Cap	3%



Fund size \$484,735,483



## Founders Fund

### Attributes

#### Top Stock Holdings (% of Fund)

TD Bank	1.9%
Franco-Nevada	1.4%
Visa	1.3%
Suncor Energy	1.3%
CN Rail	1.3%
CCL Industries	1.2%
CME Group	1.0%
Experian	0.9%
Sika	0.9%
Keyence	0.9%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	21.3%
Financial Services	18.8%
Healthcare	10.0%
Oil & Gas	9.9%
Consumer Products	7.2%
Consumer Cyclical	6.4%
Comm. & Media	5.3%
Real Estate	5.1%
Basic Materials	4.5%
Retailing	4.4%
Technology	3.9%
Utilities & Pipelines	3.2%

#### Asset Mix

Long-term		Current
17%	Overseas Stocks	18%
17%	U.S. Stocks	16%
26%	Canadian Stocks	26%
35%	Bonds	26%
5%	Cash	14%

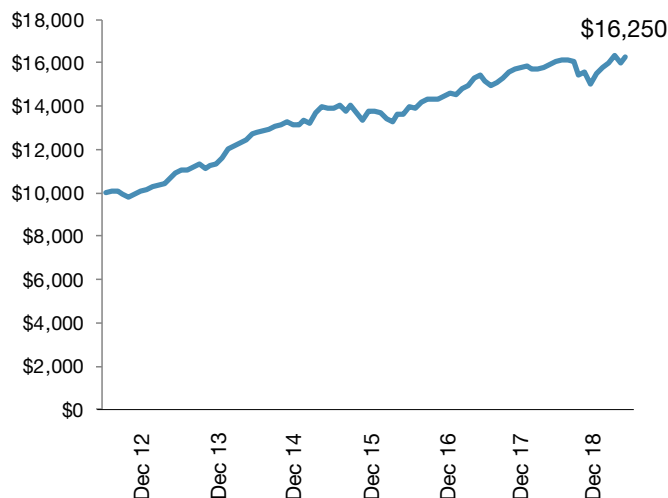
### Performance

#### Compound Annualized Returns (as of June 30, 2019)

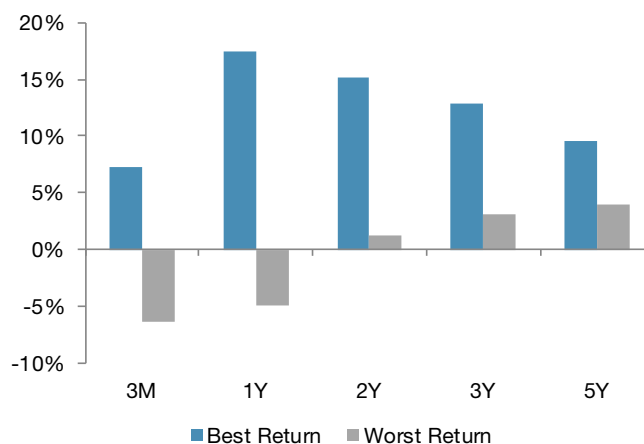
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep <sup>1</sup>
<b>Founders Fund (after-fee)</b>	<b>1.5%</b>	<b>8.1%</b>	<b>1.4%</b>	<b>3.5%</b>	<b>5.4%</b>	<b>4.4%</b>	<b>N/A</b>	<b>6.7%</b>
FTSE TMX Canada Universe Bond Index	2.5%	6.5%	7.4%	4.0%	2.7%	3.9%	N/A	3.6%
S&P/TSX Composite Index	2.6%	16.2%	3.9%	7.1%	8.4%	4.7%	N/A	7.0%
Morningstar Developed Mkts Index (\$Cdn)	1.5%	11.7%	4.6%	8.6%	11.8%	11.0%	N/A	13.6%

<sup>1</sup>Feb 17, 2012

#### Growth of \$10,000 Since Inception



#### Best and Worst Annualized Returns



## Income Fund

### Market Context

- The Canadian bond market rose 2.5% in the quarter (interest and capital appreciation).
- Interest rates declined, with the 10-year Government of Canada yield falling from 1.6% to 1.45%.
- The Canadian stock market rose 2.6%. Technology, utilities and industrial stocks were areas of strength, while energy and healthcare stocks were weak.

### Portfolio Specifics

- The fund turned in another strong quarter as interest rates continued to fall (recall that when rates fall, bond prices rise).
- Bonds comprise 78% of the fund and include investments in federal and provincial government bonds and those issued by corporations. Each of these sectors performed well. A slowdown in global economic growth and fears surrounding the U.S.-led trade war prompted investors to embrace the safety of bonds.
- After raising short-term interest rates last year, the Bank of Canada and U.S. Federal Reserve have shifted their stance and now appear more inclined to ease rates rather than increase them. The manager, Connor, Clark & Lunn, is positioned to take advantage of this by holding fewer 10-year bonds and more 2-year bonds (they feel the latter will benefit more if economic growth deteriorates).
- The fund continues to hold more government bonds than corporates. This is a defensive tactic, as corporates are more vulnerable to defaults in a weaker economy. Our focus in this sector is on high-quality companies such as banks (e.g. T.D. BANK, ROYAL BANK) and utilities (e.g. HYDRO ONE, CANADIAN UTILITIES).
- Stocks make up 22% of the fund. Sectors of focus include financial services, REITs, energy, pipelines, consumer staples and utilities. These holdings have performed well this year and have boosted the fund's performance.
- The fund's equity strategy is focused on companies with strong balance sheets that are growing their dividend, as well as those with more stable earnings such as food retailers (including EMPIRE COMPANY, METRO, and LOBLAW COMPANIES) and telecoms (ROGERS, TELUS, and BCE). No new companies were added to the fund, but positions were increased in FORTIS, BCE and EMPIRE COMPANY.
- The fund paid a distribution of \$0.045/unit at the end of June.

### Positioning

- The fund's bond strategy remains cautious. The focus is on higher quality securities that also have good liquidity (i.e. they can easily be bought or sold).
- Stocks remain an important source of diversification and yield. The manager has a current bias towards larger cap, lower volatility stocks.

The fund was up 1.9% in the quarter. Since inception (Feb 2007), it has a cumulative return of 96%, which equates to an annualized return of 5.5%.

### Notable Stock Transactions

#### Buy

Fortis  
BCE  
Empire Company Ltd.

#### Trim/Sell

Nutrien<sup>1</sup>  
WSP Global<sup>1</sup>  
Loblaw Companies  
Cott

<sup>1</sup>Position eliminated

Fund size	\$87,470,099
Pre-fee Yield	2.5%
Avg Term to Matur.	11.7 yrs
Duration (Bonds)	8.3 yrs



## Income Fund

### Attributes

#### Top Holdings (% of Fund)

Canada 0.50% (Mar/22)	8.8%
Quebec 3.50% (Dec/48)	5.7%
Canada 2.75% (Dec/48)	4.9%
Ontario 2.80% (Jun/48)	3.9%
CHT 2.35% (Jun/23)	3.7%
RBC YC 2.065% (Jul/19)	2.5%
CHT 2.55% (Dec/23)	2.3%
Canada 2.25% (Mar/24)	2.3%
CC&L High Yield Bond Fd	2.0%
BMO 1.61% (Oct/21)	1.9%

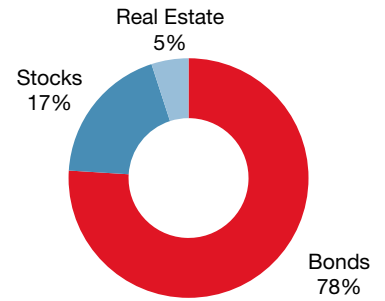
#### Issuer Allocation (Bonds)

Federal Government	36%
Provincial Government	26%
Corporate	38%

#### Rating Summary (Bonds)

AAA	40%
AA	39%
A	9%
BBB	10%
BB (or lower)	2%

#### Asset Mix



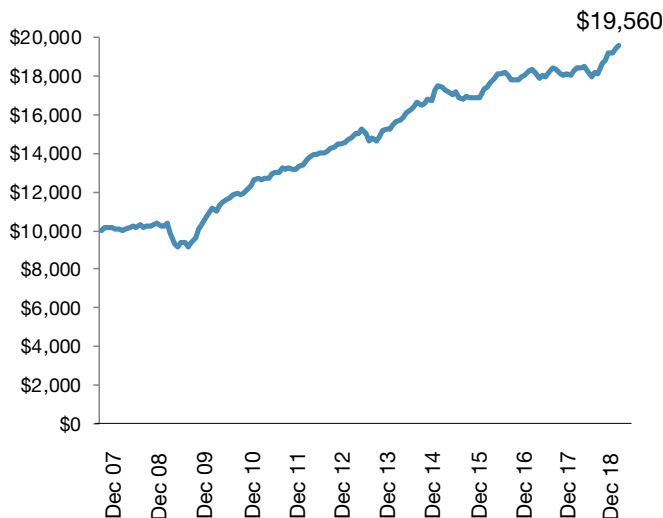
### Performance

#### Compound Annualized Returns (as of June 30, 2019)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
<b>Income Fund (after-fee)</b>	<b>1.9%</b>	<b>7.9%</b>	<b>6.3%</b>	<b>3.8%</b>	<b>3.1%</b>	<b>3.8%</b>	<b>6.6%</b>	<b>5.5%</b>
FTSE TMX Canada Universe Bond Index	2.5%	6.5%	7.4%	4.0%	2.7%	3.9%	4.5%	4.7%
S&P/TSX Composite Index	2.6%	16.2%	3.9%	7.1%	8.4%	4.7%	7.8%	4.9%

\*Feb 13, 2007

#### Growth of \$10,000 Since Inception



#### Best and Worst Annualized Returns



## Equity Fund

### Market Context

- The Canadian stock market (S&P/TSX Composite Index) rose 2.6% in the quarter.
- Global stocks, as measured by the Morningstar Developed Markets Index, gained 1.5% in Canadian dollar terms.

### Portfolio Specifics

- The fund holds 24 stocks, of which 12 are headquartered in Canada, 6 overseas, 5 in the U.S., and 1 in Mexico.
- The fund had a strong quarter. A number of holdings benefited from double-digit price increases on the back of solid operating results, including CAE and CCL INDUSTRIES in Canada, SIKA and EXPERIAN in Europe, and VISA in the U.S.
- The portfolio has undergone more changes than usual this year. A handful of stocks have become more expensive for the right reasons (i.e. they've gone up) and have been trimmed or eliminated. CAE falls into the former category, while CBOE HOLDINGS and NOVOZYMES were sold entirely. Novozymes was removed because the manager, Fiera Capital, has been adding to CHR HANSEN, a comparable but more innovative company. MARATHON PETROLEUM was also sold (more on this below).
- With the proceeds from the above sales, four new stocks were purchased in the quarter: CME GROUP (global markets company that owns derivatives, options and futures exchanges), S&P GLOBAL (provider of market data, research, benchmarks and credit ratings), TELUS (leading telecom provider), and MICROSOFT (leader in cloud storage in addition to its software solutions).
- The manager has incorporated a new sustainability framework into its analysis of companies. It considers environmental, social and governance factors (ESG), and is another way to assess whether a company will be a good long-term investment. Under the new framework, Fiera concluded that the risks associated with Marathon Petroleum outweighed the benefits and the stock was sold.
- Financial stocks make up 24% of the fund, but represent a much broader collection of businesses than simply banks. In addition to TD BANK, holdings include a credit reporting company (Experian), operators of securities exchanges and providers of market data (CME Group, S&P Global), and the world's leading payment solutions firm (Visa). In addition to paying nice dividends, these companies offer valuable diversification.
- The fund currently has a cash position of 6%.

The fund was up 4.8% in the quarter. Since inception (Feb 2007), it has a cumulative return of 123%, which equates to an annualized return of 6.6%.

### Notable Transactions

#### Buy

CME Group\*  
Telus\*  
Microsoft\*  
S&P Global\*

\*New holding

#### Trim/Sell

CBOE Holdings<sup>1</sup>  
Evertz Technologies<sup>1</sup>  
Novozymes<sup>1</sup>  
Marathon Petroleum<sup>1</sup>  
CAE

<sup>1</sup>Position eliminated

### Positioning

- The fund is comprised of two dozen businesses operating in a diverse array of industries, from railroads to packaging to construction to software. Focus is on best-in-class companies that generate strong cash flows, have good growth prospects, are well financed and have proven leaders at the helm.

Fund size	\$103,239,420
No. of stocks	24





## Equity Fund

### Attributes

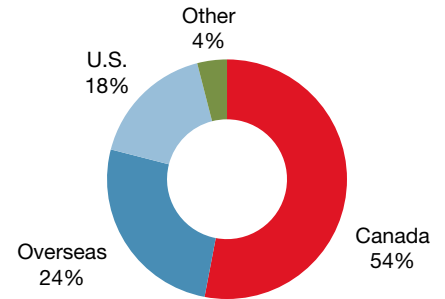
#### Top Stock Holdings

Franco-Nevada	6.5%
Visa	6.2%
TD Bank	6.0%
CCL Industries	5.6%
Suncor Energy	4.9%
CME Group	4.8%
CN Rail	4.4%
Experian	4.3%
Sika	4.2%
Keyence	4.1%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	25.0%
Financial Services	23.8%
Basic Materials	11.2%
Oil & Gas	8.8%
Healthcare	7.4%
Retailing	7.0%
Technology	6.1%
Consumer Products	4.0%
Consumer Cyclical	3.4%
Comm. & Media	3.3%

#### Geographic Profile (Stocks)



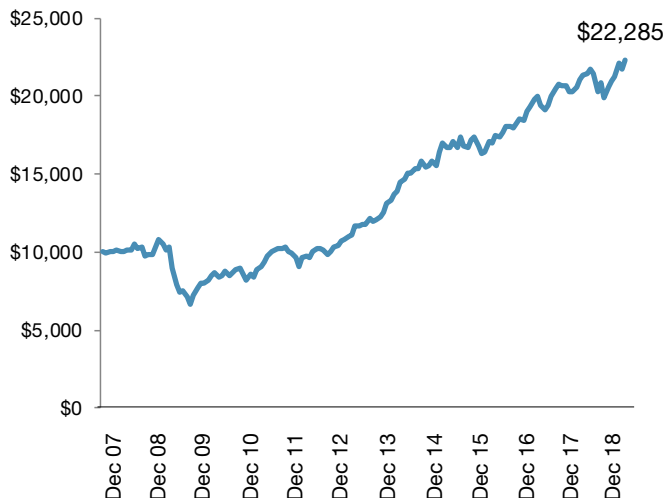
### Performance

#### Compound Annualized Returns (as of June 30, 2019)

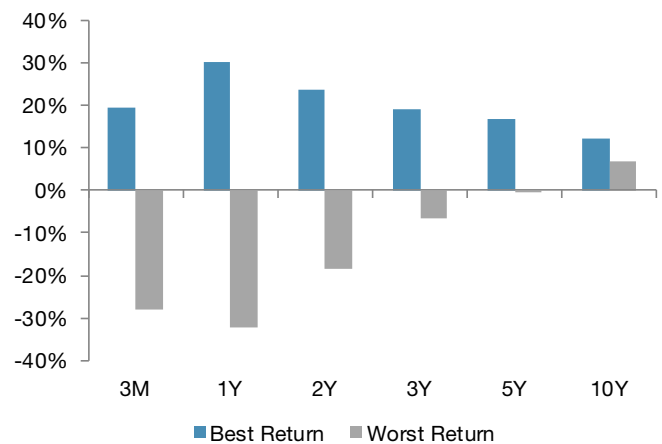
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep <sup>1</sup>
<b>Equity Fund (after-fee)</b>	<b>4.8%</b>	<b>12.3%</b>	<b>4.6%</b>	<b>7.1%</b>	<b>8.7%</b>	<b>7.8%</b>	<b>10.7%</b>	<b>6.6%</b>
S&P/TSX Composite Index	2.6%	16.2%	3.9%	7.1%	8.4%	4.7%	7.8%	4.9%
Morningstar Developed Mkts Index (\$Cdn)	1.5%	11.7%	4.6%	8.6%	11.8%	11.0%	12.3%	6.3%

<sup>1</sup>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 Morningstar Developed Markets Index, were up 1.5% in Canadian dollar terms in the quarter.
- Returns were positive in most regions. Major European markets were up 3-7% in local currency terms, the U.S. was up 4%, while Japan was flat and China was down 4%. The loonie rose against most currencies, which dampened returns.

### Portfolio Specifics

- The fund holds 56 stocks, of which 23 are based in the U.S., 22 in Europe (including the U.K.), 9 in Asia, and 2 in Canada.
- The portfolio struggled to gain ground in the quarter. It was held back by its investments in the energy sector, which has been clouded by negative sentiment stemming in part from fears of an economic slowdown. The fund's holdings in the U.K. also fared poorly as uncertainty surrounding Brexit persists.
- Oil & gas stocks had a rough quarter. ENCAN, NORTHERN DRILLING, NATIONAL OILWELL VARCO and HALLIBURTON all saw sharp declines. The manager, Velanne Asset Management, believes these stocks are oversold and there is good value to be found. The companies have become more cost efficient in recent years and are using technology more effectively. ANADARKO was a positive story, as the company agreed to be acquired by Occidental. The stock gained over 50% in the quarter.
- Velanne was reassured with the solid operating results of many of the fund's holdings and the optimistic tone of the management teams they spoke with. Indeed, they're confident that many holdings have value yet to be unlocked and reflected in their stock prices. Two holdings exemplify this: NCR (a maker of ATM's) saw its stock rise in the quarter after receiving takeover interest, and LEGG MASON (an asset manager) saw its stock jump after an activist shareholder joined its board of directors.
- Turnover was higher than normal in the quarter, with five new stocks purchased: ATTENDO (a nursing care provider in the Nordic countries), BURFORD CAPITAL (the world's largest provider of arbitration and litigation finance), STERICYCLE (a leader in medical waste disposal and document shredding), TADANO (a Japanese manufacturer of cranes and aerial work platforms), and WABTEC (a supplier of components and services to the locomotive industry).
- The fund currently has a cash position of 2%.

The fund was down 2.2% in the quarter. Since inception (Feb 2007), it has a cumulative return of 33%, which equates to an annualized return of 2.3%.

### Notable Transactions

#### Buy

Attendo\*  
Burford Capital\*  
Stericycle\*  
Tadano\*  
Wabtec\*

\*New holding

#### Trim/Sell

None to report

### Positioning

- Over a quarter of the fund's investments have dividend yields of 4%+. This is indicative of the manager's bias towards "value" over "growth" stocks. The latter have been the market darlings, but are much more expensive.
- Key areas of investment include healthcare, financial services, oil & gas services, consumer products, and media & entertainment companies.

Fund size	\$72,392,735
No. of stocks	56



## Global Equity Fund

### Attributes

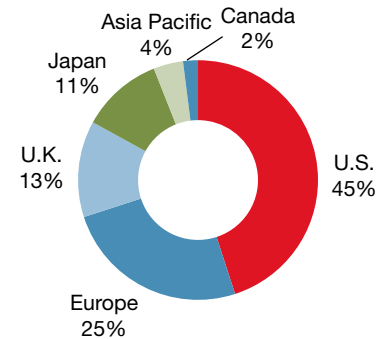
#### Top Stock Holdings

Alleghany Corporation	3.6%
Discovery, Inc.	3.6%
Zimmer Biomet	3.5%
Konecranes	3.4%
Bayer	3.3%
Mowi	3.2%
Walt Disney Company	3.2%
Medtronic	3.0%
Heiwa Real Estate	2.8%
The Fox Corporation	2.6%

#### Sector Allocation (Stocks)

Financial Services	18.9%
Healthcare	17.7%
Oil & Gas	14.7%
Consumer Products	12.5%
Industrial Goods & Svc	11.7%
Comm. & Media	9.4%
Consumer Cyclical	5.3%
Real Estate	2.8%
Technology	2.6%
Retailing	2.4%
Utilities & Pipelines	2.0%

#### Geographic Profile (Stocks)



### Performance

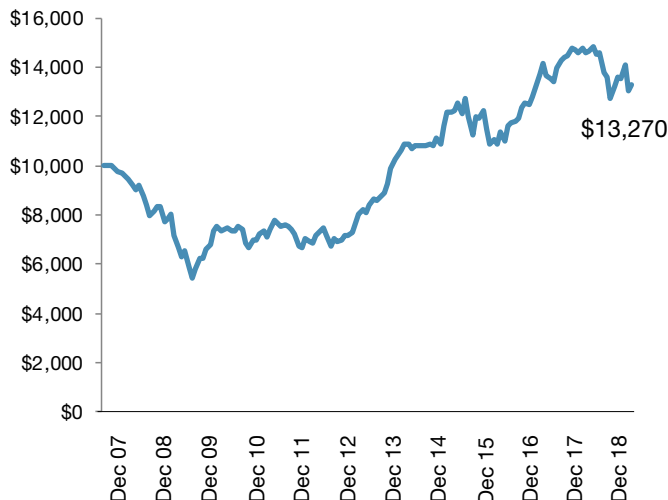
#### Compound Annualized Returns (as of June 30, 2019)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep <sup>1</sup>
<b>Global Equity Fund (after-fee)</b>	<b>-2.2%</b>	<b>4.0%</b>	<b>-9.4%</b>	<b>-1.4%</b>	<b>6.4%</b>	<b>4.2%</b>	<b>7.2%</b>	<b>2.3%</b>
Morningstar Developed Mkts Index (\$Cdn)*	1.5%	11.7%	4.6%	8.6%	11.8%	11.0%	12.3%	6.3%

\*The fund has declined -9.1% since September 30, 2018, which is Velanne's starting date as portfolio advisor. The index is up 1.8% over the same period.

<sup>1</sup>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) fell 0.3% in the quarter. U.S. small-caps (Russell 2000 Index) were unchanged in Canadian dollar terms.
- Energy stocks, which are a large component of the market, were particularly weak.

### Portfolio Specifics

- The fund consists of 25 companies, ranging from very small (e.g. WATERLOO BREWING) to medium-sized businesses (e.g. STANTEC). While the majority of holdings are Canadian, there are 4 U.S. stocks which make up 18% of the portfolio.
- The fund had a positive quarter while the market declined. Performance was helped by the fact that the portfolio has only modest exposure to the energy sector, which had a tough quarter (its sole oil & gas producer is CARDINAL ENERGY). The manager, Galibier Capital Management, doesn't find a lot of compelling ideas in the sector, as companies are beholden to the price of a commodity they have no control over.
- PREMIUM BRANDS HOLDINGS' price jump also helped performance. The company continues to acquire new brands and add customers to its food distribution business. Some of Premium Brands' recognizable names include Piller's, Freybe, and Grimm's. The company also manufactures and delivers prepared foods such as sandwiches for larger companies. Starbucks is one of its major customers.
- POINTS INTERNATIONAL and STERICYCLE both gave back some gains after a strong start to the year. Galibier continues to like the long-term prospects of both companies.
- Two new stocks were added to the portfolio, INTERFOR and FINNING INTERNATIONAL. Interfor is a Canadian lumber producer with operations across North America. There has been limited new housing construction in the U.S. since the 2008-09 financial crisis. The manager believes construction is poised to increase in the coming years with lumber stocks standing to benefit. Further, Interfor's stock price has fallen considerably over the past year, offering an attractive entry point. Finning is the world's largest dealer of Caterpillar equipment. Caterpillar manufactures heavy duty industrial machinery including excavators, dozers, pipelayers, and power systems. It operates in Western Canada, the U.K., and South America.
- WABCO HOLDINGS was sold. The airbrake manufacturer's stock rose sharply in the first quarter and is now fully valued in the manager's view.
- The fund currently has a cash position of 1%.

### Positioning

- The portfolio has a unique composition, with key areas of investment being capital goods, transportation, and commercial & professional services. Food & beverage and consumer companies are also important components of the fund. This is in contrast to the small-cap market's heavy focus on resource companies.

The fund was up 1.9% in the quarter. Since inception (Feb 2007), it has a cumulative return of 117%, which equates to an annualized return of 6.4%.

### Notable Transactions

#### Buy

Finning International\*  
Interfor Corporation\*  
Sleep Country Canada

\*New holding

#### Trim/Sell

WABCO Holdings<sup>1</sup>  
Cargojet  
Oshkosh Corp.  
Park Lawn  
Spin Master

<sup>1</sup>Position eliminated

Fund size	\$54,707,206
No. of stocks	25



## Small-Cap Equity Fund

### Attributes

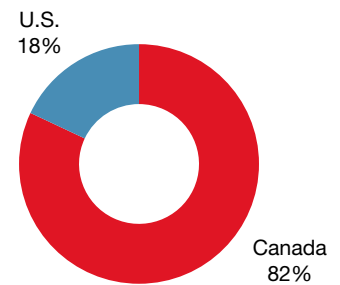
#### Top Stock Holdings

NFI Group	6.3%
Ag Growth International	5.5%
Park Lawn	4.8%
Oshkosh Corp.	4.7%
Henry Schein	4.5%
Winpak	4.4%
Spin Master	4.4%
Stantec	4.3%
Premium Brands	4.3%
Stericycle	4.2%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	49.3%
Consumer Cyclical	17.9%
Consumer Products	8.0%
Oil & Gas	5.3%
Healthcare	4.5%
Basic Materials	4.0%
Real Estate	3.8%
Utilities & Pipelines	3.6%
Retailing	3.6%

#### Geographic Profile (Stocks)



### Performance

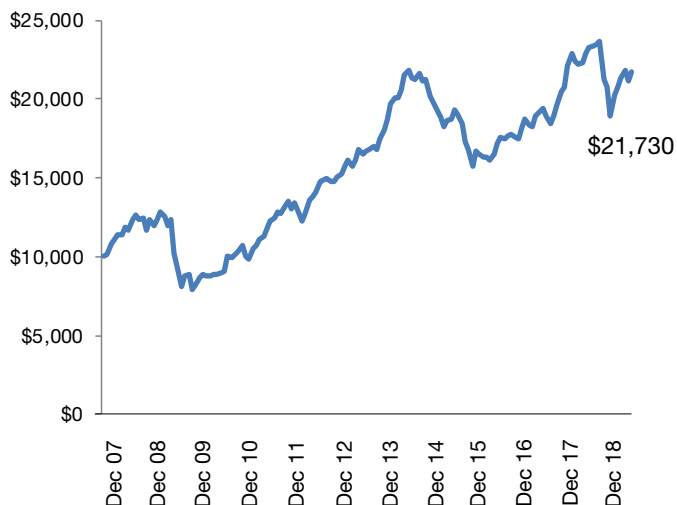
#### Compound Annualized Returns (as of June 30, 2019)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep <sup>1</sup>
<b>Small-Cap Equity Fund (after-fee)*</b>	<b>1.9%</b>	<b>15.0%</b>	<b>-6.5%</b>	<b>7.1%</b>	<b>7.5%</b>	<b>0.1%</b>	<b>9.5%</b>	<b>6.4%</b>
S&P/TSX SmallCap Index	-0.3%	10.4%	-8.1%	-1.6%	0.2%	-1.6%	5.9%	1.0%
Russell 2000 Index (\$Cdn)	0.0%	12.2%	-3.9%	7.1%	12.5%	11.5%	14.8%	7.9%

\*The fund has gained 23.5% since September 30, 2016, which is Galibier's starting date as portfolio advisor. The Canadian index is down -4.3% over the same period.

<sup>1</sup>Feb 13, 2007

#### Growth of \$10,000 Since Inception



#### Best and Worst Annualized Returns



## Global Small-Cap Equity Fund

### Market Context

- The global small-cap market (S&P Global SmallCap Index) rose 2.0% in the second quarter in Canadian dollar terms.
- Technology and financial stocks were solid performers while energy stocks lagged.

### Portfolio Specifics

- Securities regulations prohibit us from discussing performance until the fund reaches the 1-year mark. Our discussion will focus instead on the characteristics and investment merit of select holdings.
- The fund consists of 47 companies around the globe. Twenty are headquartered in the U.S., 17 in Europe (including the U.K.), 8 in Japan, and 2 in Australia.
- Technology stocks are one of the largest areas of investment, making up roughly one-fifth of the fund. These companies fall outside the realm of high-profile household names such as Apple, Google and Facebook. Rather, the manager, TimesSquare Capital Management, focuses on smaller businesses that are leaders in engineering components or providing research services, software solutions, and other value-added services for a variety of industries, including those that are inventing the products and services of tomorrow. ALTRAN TECHNOLOGIES, a Paris-based leader in engineering and R&D services, is one such company that was a positive story in the quarter, as it received a takeover offer at a nice premium.
- While there aren't many recognizable names in the portfolio (part of the nature of small-cap investing), one business you may have heard of is PLANET FITNESS, the fund's 5<sup>th</sup> largest holding. The company operates fitness centers across the U.S. and Canada. It has been growing nicely, has strong operating results, and has attracted a broad base of clients thanks to its accessibility and 'Judgement Free' mantra.
- Two new stocks were purchased: CIE AUTOMOTIVE and CUSHMAN & WAKEFIELD. CIE is a Basque supplier of automotive parts. It supplies subcomponents and small parts to larger "Tier 1" suppliers. It's not a sexy business, but the company has fantastic margins and one of the most highly automated factories TimesSquare has seen ("you have to see it for yourself", in the manager's words). Its ability to invest in technology sets it apart from its competitors. Cushman & Wakefield is a Chicago-based commercial real estate services company. TimesSquare believes it's the best managed company in the sector with an attractive valuation.
- The fund currently has a cash position of 2%.

### Positioning

- The fund invests in businesses with a clear competitive edge, a record of consistent earnings growth, and management that has clear goals and a record of success.
- This approach results in low weights in commodity-related businesses and utilities.

Regulations prohibit us from publishing performance figures until units of the fund have been distributed under a prospectus for more than 12 months.

### Notable Transactions

#### Buy

CIE Automotive\*  
Cushman & Wakefield\*  
Amplifon  
FinecoBank  
Open House Co.

\*New holding

#### Trim/Sell

Bio-Rad Laboratories<sup>1</sup>  
Tyler Technologies  
Disco Corporation

<sup>1</sup>Position eliminated

Fund size	\$3,883,444
No. of stocks	47



## Global Small-Cap Equity Fund

### Attributes

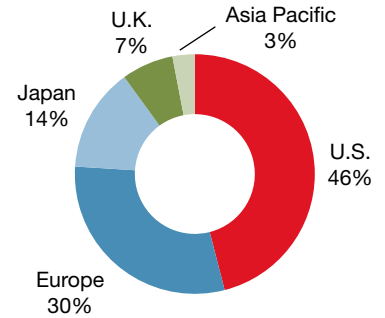
#### Top Stock Holdings

CoStar Group	4.0%
Teleperformance	3.9%
Gartner	3.7%
RPM International	3.6%
Planet Fitness	3.6%
St. James's Place	3.4%
Wex	3.3%
RenaissanceRe	2.9%
Charles River Labs	2.9%
Topdanmark	2.8%

#### Sector Allocation (Stocks)

Financial Services	19.2%
Technology	19.0%
Healthcare	14.0%
Industrial Goods & Svc	13.1%
Consumer Cyclical	11.1%
Real Estate	9.2%
Retailing	5.8%
Basic Materials	3.7%
Oil & Gas	2.1%
Consumer Products	1.5%
Comm. & Media	1.3%

#### Geographic Profile (Stocks)



### Performance

Performance information is not available because the fund is a new fund.<sup>1</sup> Securities regulations prohibit us from showing performance figures until units of the fund have been distributed under a prospectus for more than 12 months.

<sup>1</sup>Inception date: February 15, 2019.

## Builders Fund

### Fund Overview

- The Builders Fund is a fund-of-funds that invests mainly in Steadyhand’s four stand-alone equity funds — Equity Fund, Global Equity Fund, Small-Cap Equity Fund, and Global Small-Cap Equity Fund. Its primarily an all-stock portfolio designed for growth-oriented investors.
- The underlying fund mix is managed by Salman Ahmed, with Tom Bradley as co-manager, and is a reflection of their views on market valuations.

Regulations prohibit us from publishing performance figures until units of the fund have been distributed under a prospectus for more than 12 months.

### Portfolio Specifics

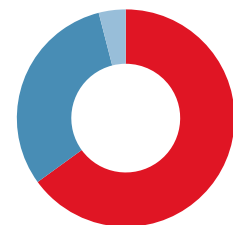
- Securities regulations prohibit us from discussing performance until the fund reaches the 1-year mark. Our discussion will focus instead on the fund’s composition.
- 65% of the fund is invested in foreign stocks. The Global Fund and Global Small-Cap Fund have the most latitude to invest outside our borders. The Equity Fund and Small-Cap Fund are both Canadian-centric in nature, but the managers have the flexibility to invest a portion of the funds’ assets in foreign companies.
- The fund is well diversified across industries and looks different than most Canadian portfolios. The largest sector weight, industrial goods & services, includes a diverse assortment of companies. Holdings include CAE (pilot training), KONECRANES (manufactures lifting equipment), TELEPERFORMANCE (outsourced customer service), and AG GROWTH (grain and seed storage).
- Other important sectors are also diverse in their makeup. In financial services, the fund owns TD BANK, BERKSHIRE HATHAWAY (insurance), CHALLENGER (annuities), and EXPERIAN (credit ratings), among others. It’s a far cry from owning five Canadian banks and insurers. In energy, investments include SUNCOR ENERGY (integrated producer), SCHLUMBERGER (oil services), and PASON SYSTEMS (drilling data solutions). And in healthcare, NOVARTIS (pharmaceuticals) is the fund’s largest holding, but it also owns ZIMMER BIOMET (medical devices), ORPEA (nursing care) and AMPLIFON (hearing aids), among others.
- 30% of the fund is invested in Steadyhand’s two small-cap funds. These funds can experience more pronounced fluctuations over shorter periods but provide the opportunity for enhanced returns over the long term.
- Investors should expect the fund to stay fully invested in our underlying funds a vast majority of the time. The fund is designed to build wealth over a long time frame. There will be some cash in the portfolio, most of which will be from the reserves held in the underlying funds. Their cash levels will fluctuate due to the managers waiting for the right price to buy stocks or because of a recent sale. In some cases, cash can build up when there is a dearth of new investment opportunities.

#### Fund Mix

Equity	35%
Global	35%
Small-Cap	15%
Global Small-Cap	15%



#### Asset Mix



Foreign Stocks	65%
Canadian Stocks	31%
Cash & Short-term	4%

Fund size \$42,287,678

### Positioning

- Refer to pages 6-15 for details on the underlying funds.





## Builders Fund

### Attributes

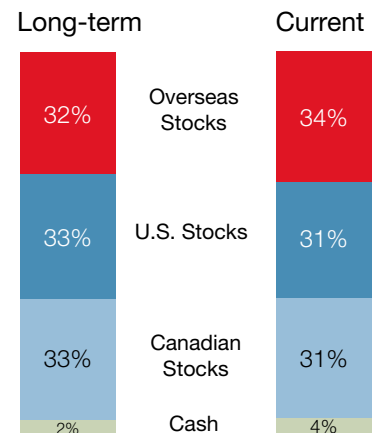
#### Top Stock Holdings (% of Fund)

Franco-Nevada	2.2%
Visa	2.2%
TD Bank	2.1%
CCL Industries	2.0%
Suncor Energy	1.7%
CME Group	1.7%
CN Rail	1.5%
Experian	1.5%
Sika	1.5%
Keyence	1.4%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	22.2%
Financial Services	17.7%
Healthcare	11.6%
Oil & Gas	9.4%
Consumer Cyclical	7.5%
Consumer Products	7.3%
Technology	5.8%
Basic Materials	4.9%
Retailing	4.6%
Comm. & Media	4.6%
Real Estate	3.0%
Utilities & Pipelines	1.3%

#### Asset Mix



### Performance

Performance information is not available because the fund is a new fund.<sup>1</sup> Securities regulations prohibit us from showing performance figures until units of the fund have been distributed under a prospectus for more than 12 months.

<sup>1</sup>Inception date: February 15, 2019.



## Savings Fund

### Market Context

- The Bank of Canada left its key lending rate unchanged in the quarter, at 1.75%.
- In its May statement, the central bank indicated that recent data support a pickup in consumer spending, exports and business investment. That said, an escalation in trade conflicts is heightening uncertainty about economic prospects, and global growth is slowing. Many observers believe the Bank's next move may be a decrease in its key lending rate rather than another increase.
- The BoC noted that it will remain especially attentive to developments in household spending, oil markets and the global trade environment.

### Positioning

- The manager's (Connor, Clark & Lunn) preference for corporate paper continued to add value for the fund in the quarter. These securities, which include 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 2.0%.

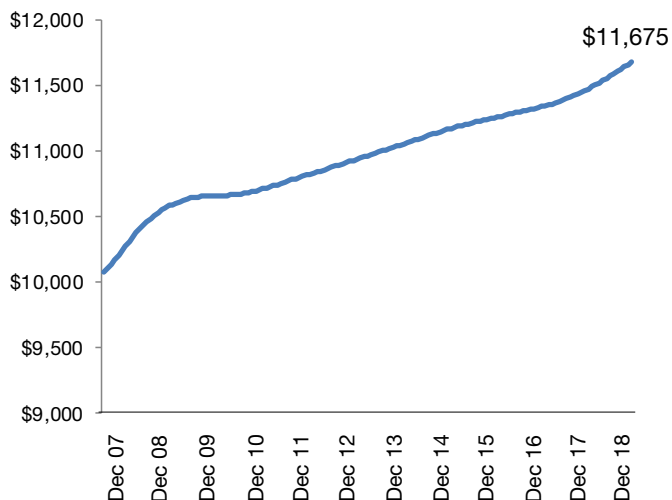
## Performance

### Compound Annualized Returns (as of June 30, 2019)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
<b>Savings Fund (after-fee)</b>	<b>0.4%</b>	<b>0.9%</b>	<b>1.8%</b>	<b>1.5%</b>	<b>1.2%</b>	<b>1.1%</b>	<b>0.9%</b>	<b>1.3%</b>
FTSE TMX Canada 91 Day T-Bill Index	0.4%	0.8%	1.6%	1.3%	1.0%	0.9%	0.9%	1.3%

\*Feb 13, 2007

### Growth of \$10,000 Since Inception



### Best and Worst Annualized Returns



## It's getting harder to be a long-term investor

Special to the National Post, by Tom Bradley, June 15, 2019

We all have pet peeves, and one of mine is waiting for equipment at the gym while the person ahead of me is checking social media and texting. Eight reps ... three texts ... eight reps ... two tweets. It drives me crazy. Not only does the insatiable need to be connected cause logjam, it results in less intense workouts (mine and theirs).

I relate this to an investment problem. Constant information flow also makes it more difficult to be a long-term investor. It compels us to shorten our time horizon and lose sight of the prize — long-term returns.

Think about what we're up against.

### FOMO

Alerts on our phones are feeding us the latest news. The Dow and TSX are reported everywhere throughout the day. And headlines are designed to get our attention with words like 'plummet' and 'soar.'

Business television brings an urgency to whatever is happening, whether it's important or not. This month's iPhone sales, Trump tweets and the Fed's latest wink are elevated from the mundane to the seemingly significant.

Meanwhile, ads from discount brokers (offering hundreds of free trades) empower us to trade stocks and ETFs. It sounds fun and easy — "I picked Ovechkin in my hockey pool and Tilray for my investment account." If we're not playing the latest trend, we're missing out.

In other words, the investment eco-system is bent on shortening our time frame.

### Easier said than done

At this point you might ask, why not focus on the here and now? Isn't long term just a series of short terms? What's wrong with ziggling and zagging, especially if trading commissions are low and information is at our fingertips. If we get the short terms right, won't the long term take care of itself?

Unfortunately, predicting price movements is way harder than assessing long-term value. No amount of analysis will reliably tell you what a stock or market is going to do in the next week, month or even year. Securities will find their value, but the path is not determined.

But don't believe me, test yourself. On Christmas eve last year after stocks had fallen 20% (since Thanksgiving), what did you think would happen in 2019? After President Trump was elected, were you buying or selling? And going further back to the summer of 2011, were you thinking the 20% market decline was the beginning of another 2008 or just a pause in the bull market?

The shorter your time horizon, the more you're speculating and the less you're investing.

### Long-term loneliness

Catching the latest trend is tough but so is acting long term. You're not getting much help, so some structure is needed.

*Be clear about the purpose and time frame of the money.* This will go a long way to determining what your portfolio looks like and what risk means to you. For multi-decade goals such as retirement, you shouldn't care what route your portfolio takes. Time ensures that your chart will be up and to the right. For shorter time frames, the path is more important.

*Measure your progress against your goal.* We're all curious about what happened in the last quarter, but the number is only useful when put in context of the longer journey. Train your adviser to focus on long-term returns (if she's not already) and ask her to put your plan at the forefront of all recommendations.

*Set realistic expectations.* I'm not only referring to the level of future returns, but also their volatility. It's not a matter of 'if' the market goes down, but 'when.' Armed with appropriate expectations, you can prepare for the time when markets really plummet.

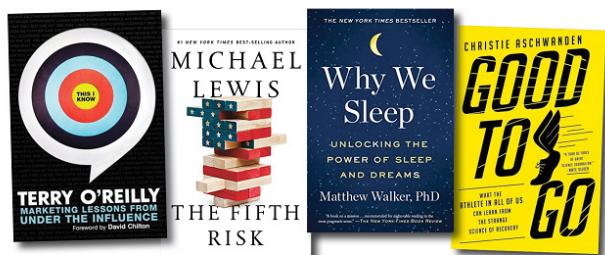
*Fit your passions and hunches into the overall portfolio.* If you want to own a cannabis or gold stock, it should complement your other holdings. For instance, when buying Tilray, the money should come from another high-potential, high-risk stock, not your GIC's.

*And make investing as automatic as possible.* Take the noise and emotion out of the process by developing a routine. Pre-authorized contributions to your TFSA and RRSP are an excellent way to put your portfolio in self-driving mode.

At the gym, having people around can inspire you to work harder. Unfortunately, successful investing is a lonely endeavour.



# Steadyhand



## Summer Reading

Looking to sink into a good book this summer? Behold our annual [Summer Reading List](#).

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The performance data provided for the Steadyhand Savings Fund assumes reinvestment of distributions only and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. The indicated rates of return for the funds other than the Savings Fund are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual fund securities are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the funds will be able to maintain their net asset value per security at a constant amount or that the full amount of your investment in the funds will be returned to you. Past performance may not be repeated.

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Published on July 5, 2019, by Steadyhand Investment Funds Inc.

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