

Steadyhand

Q4
2019

Even in 2020 — the year of perfect vision — investors are wise to accept that the market's near-term path is anything but clear.



Bradley's Brief



On the cover page of last year's Fourth Quarter Report, we wrote, *"In weak markets, investors should be raising their expectations for stock returns, not lowering them as is so often the case."*

I don't know if our report raised any expectations, but the 2019 results speak for themselves. Bond and stock markets were strong and at Steadyhand, we finished the year on an up note. Indeed, 2019 was the exact opposite of 2018, which was a down year that ended poorly.

The strength of the bond market was 2019's biggest surprise. Interest rates were already low when the year started but they fell even lower. Concerns about Trump, trade and recession contributed to the declines. As a reminder, when interest rates drop, existing bonds become more valuable and rise in price. Last year, the bond market's 6.9% return was made up of roughly 3% interest income and 4% price appreciation.

The stock market also surprised some, although a good portion of the gains were a recovery from what was (in hindsight) an overly negative reaction at the end of last year. Nonetheless, corporate profits continued to grow, and investors searched for alternatives to low-yielding bonds. Market indices were led by a narrow group of stocks in the technology, consumer products, real estate and gold sectors.

Our balanced clients were up between 11-12% in 2019 (depending on their mix). For 10 years, the number is about 7% per year.

As we step into a new decade, it's a good time to dust off your investment plan and make sure it still fits your goals and life situation. It's better to do this kind of thinking when you don't have the pressure and emotion that goes with weak markets and declining portfolio values. Today, you're doing it from a position of strength.

As you contemplate your situation (on your own or with the help of our Investor Specialists), it's important to be realistic about your return assumptions. Because of last year's blessing, you may need to work at keeping your expectations down. Too many investors are expecting another 2019 and need a reality check.

We know that medium-term bond returns will be similar to today's yields — let's say 2-3%. Stocks will likely do better but we can't predict the path they take. If you don't believe me, look at the [Volatility Meter](#) on our website. When you toggle an asset mix of 100% stocks and look across 60 years of data, you'll see that annual returns are all over the map. In only two years are they even close to the average return of 9.6%.

This inability to forecast markets should reinforce the importance of having a strategic asset mix (SAM as we call it) and sticking to it. Through good and bad markets our longstanding clients have experienced what Albert Einstein called the 8th wonder of the world — the power of compounding. In many cases, their gains (and gains on gains) have grown to the point where they now exceed the amount invested. That's pretty good for a period that started with a financial crisis and was characterized by slow economic growth, political chaos and increasing trade tensions.

We don't know what the next decade will bring. If history is any guide, it will be driven by a different set of factors and have a different character than the last one. I'm looking forward to it.



Key Takeaways

Stocks

- Stocks had a strong year, with most markets posting double-digit returns. The American market (S&P 500 Index) was a standout, gaining over 30% in U.S. dollars. Stocks in Canada, Europe and Asia also had banner years.
- The Canadian market (S&P/TSX Composite Index) gained 22.9%, its strongest showing in a decade. Technology, industrial and gold stocks were areas of strength.
- The loonie was one of the best-performing currencies in 2019, gaining 7% on the Euro, 5% on the U.S. dollar and 4% on the Japanese Yen. This dampened the returns of foreign stocks for Canadian investors.

Bonds

- The Canadian bond market (FTSE Canada Universe Bond Index) provided a total return of 6.9% in 2019, an impressive result given the low interest rate environment.
- The 10-year Government of Canada bond yield started the year at 2.0% but fell sharply in the summer, touching 1.1% in August, before bouncing back to finish the year at 1.7%. Corporate bond yields also declined in 2019.
- The Bank of Canada was one of the few global central banks to not ease short-term interest rates in the year, and Canada now has one of the highest policy rates in the developed world, at 1.75%.

Our Funds

- Our funds all had a solid year. The Small-Cap Fund led the pack, but all our equity funds turned in double-digit gains. Our balanced clients' portfolios were up 11-12%. Over the past 10 years, our balanced returns were roughly 7% per year.
- The stock weighting in the Founders Fund was held close to its long-term target of 60% throughout much of the year.
- We encourage investors to attend our annual client presentation this winter — **Where to From Here?** — where we'll discuss the current investment climate. The event will be held in seven cities. Full details are available on our [website](#).

Our Advice to Clients

We recommend that your equity weighting be at, or slightly below, your long-term target. In the Founders Fund, our stock weighting is 60%, which is right at our target. We feel valuations are reasonable, with the exception of some pockets of the market. 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, 13% 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	3.2%	22.9%
World	6.4%	20.9%

	3M	1Y
Bonds	-0.9%	6.9%

Fund Returns

	3M	1Y
Savings	0.4%	1.8%
Income	-0.9%	9.1%
Founders	2.9%	11.6%
Equity	3.4%	16.9%
Global	8.3%	11.2%
Small-Cap	7.2%	19.2%
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 CIO Tom Bradley manages the fund and Salman Ahmed is co-manager. They have considerable scope to adjust the portfolio, although without extremes in valuation and investor sentiment, their bias is to stay near the target mix.

Portfolio Specifics

- In 2019, the Founders was up 11.6% (before fee reductions), powered by double-digit returns in all our equity funds and a strong year for the Income Fund (+9.1%). Since inception (February 17, 2012), the fund’s annualized return is 6.8%.
- Founders was fully invested in stocks throughout the year. We did a modest amount of selling in the last part of 2019 to keep the allocation near target. At December 31, 26% of the fund was allocated to Canadian-based companies and 34% to foreign.
- We remind investors that Steadyhand’s equity managers have the flexibility to search widely for opportunities and aren’t constrained by where companies are headquartered. In Founders, 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.
- Our cautious stance on the fixed income side weighed on returns in 2019. We deliberately diversified our holdings between cash and bonds (i.e. holding less Income Fund and more Savings Fund) and as a result, didn’t fully participate in the strong bond market. We regret missing this move but will continue to take a balanced approach. Bond yields are lower now and carry an even higher degree of price risk (when interest rates increase, bond prices decline) over the next few years.
- During the fourth quarter, our managers were more active than usual. New holdings included DANAHER (medical technology), JOHNSON & JOHNSON (diversified healthcare), MAPLE LEAF FOODS (food processing), SNC-LAVALIN (engineering) and FLUOR (engineering and construction). On the sell side, we eliminated FEMSA, TADANO, OPEN HOUSE, PLANET FITNESS, IZUMI and CABLE ONE.

Positioning

- The Founders is always looking for a balance between offence and defense. On offence, the fund’s largest equity position is the Global Fund where we’re finding the most compelling opportunities. Also, 12% of the fund is in our small-cap funds, an allocation that will increase over time with additions to the Global Small-Cap Fund.
- On the other side of the ball, we’re taking only modest credit risk in the Income Fund and have largely stayed away from the overheated sectors in the stock market.
- For more details on the underlying funds, please review pages 6-18.

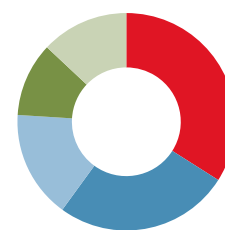
The fund was up 2.9% in the quarter. Since inception (Feb 2012), it has a cumulative return of 68%, which equates to an annualized return of 6.8%.

Fund Mix

Income	36%
Global	22%
Equity	18%
Savings	11%
Small-Cap	9%
Global Small-Cap	3%



Asset Mix



Foreign Stocks	34%
Canadian Stocks	26%
Gov't Bonds	16%
Corporate Bonds	11%
Cash & Short-term	13%

Fund size \$496,032,555



Founders Fund

Attributes

Top Stock Holdings (% of Fund)

TD Bank	1.7%
CN Rail	1.3%
Suncor Energy	1.3%
Franco-Nevada	1.2%
Visa	1.1%
CME Group	1.0%
CCL Industries	0.9%
Keyence	0.9%
Sika	0.9%
Experian	0.8%

Sector Allocation (Stocks)

Industrial Goods & Svc	20.6%
Financial Services	18.6%
Healthcare	12.0%
Oil & Gas	9.2%
Consumer Products	7.5%
Consumer Cyclical	5.9%
Real Estate	5.3%
Comm. & Media	4.7%
Basic Materials	4.4%
Technology	4.3%
Retailing	3.8%
Utilities & Pipelines	3.7%

Asset Mix

Long-term		Current
17%	Overseas Stocks	17%
17%	U.S. Stocks	17%
26%	Canadian Stocks	26%
35%	Bonds	27%
5%	Cash	13%

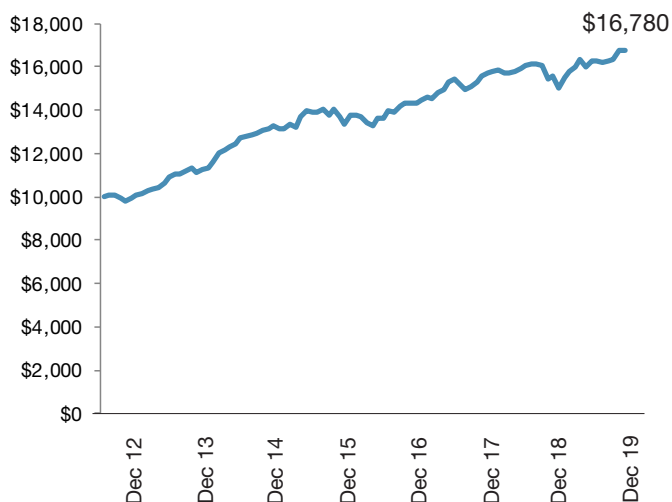
Performance

Compound Annualized Returns (as of December 31, 2019)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep ¹
Founders Fund (after-fee)	2.9%	11.6%	11.6%	3.1%	4.7%	4.9%	N/A	6.8%
FTSE Canada Universe Bond Index	-0.9%	6.9%	6.9%	4.1%	3.6%	3.2%	N/A	3.4%
S&P/TSX Composite Index	3.2%	22.9%	22.9%	5.8%	6.9%	6.3%	N/A	7.3%
Morningstar Developed Mkts Index (\$Cdn)	6.4%	20.9%	20.9%	9.3%	11.0%	11.2%	N/A	13.9%

¹Feb 17, 2012

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Income Fund

Market Context

- The Canadian bond market gained 6.9% in 2019 (interest and capital appreciation).
- Interest rates declined during the year, with the 10-year Government of Canada yield falling from 2.0% to 1.7% (it dropped as low as 1.1% in August).
- The Canadian stock market rose 22.9%. Technology, industrial and precious metals stocks were areas of strength, while the healthcare and energy sectors lagged.

The fund was down 0.9% in the quarter. Since inception (Feb 2007), it has a cumulative return of 98%, which equates to an annualized return of 5.4%.

Portfolio Specifics

- The fund gained 9.1% in 2019. Both stocks and bonds provided strong returns.
- Riskier assets, such as high yield and corporate bonds, outperformed safer securities (government bonds), as investors favoured higher interest payments over safety. This modestly held back the portfolio's return, as it's positioned more defensively.
- The manager, Connor, Clark & Lunn (CC&L), believes the risks of a Canadian recession have receded, in part because central banks outside of Canada have lowered interest rates to encourage spending by businesses and consumers. This stimulative policy should support lower yields for longer in CC&L's view. As a result, the fund's bond holdings have a modestly longer maturity to benefit from the associated yield pick up.
- From a security selection standpoint, CC&L has maintained a defensive tilt in the portfolio given the limited yield advantage of owning corporate bonds over "governments". The corporate bonds the fund does hold are concentrated in high-quality companies like banks, utilities and telecoms.
- Stocks make up 26% of the fund. The focus is on companies that are growing their dividend (as opposed to high dividend payers), as well as stocks that will benefit from continued growth in business and infrastructure spending.
- Sectors of focus include financial services, REITs, consumer products, pipelines and utilities. These stocks, which tend to produce more stable earnings, performed well in the year but didn't keep up with the market, which was driven by industries that tend to not pay dividends (precious metals and technology).
- In the fourth quarter, the manager sold METRO (food retailer), SUN LIFE FINANCIAL (insurance) and ROGERS COMMUNICATIONS (telecom). TMX GROUP (stock market operator), GRANITE REIT and RIOCAN REIT are new additions.
- The fund paid distributions totaling \$0.44/unit in 2019.

Notable Stock Transactions

Buy

TMX Group*
Granite REIT*
RioCan REIT*
CN Rail

*New holding

Trim/Sell

Metro¹
Sun Life Financial¹
Rogers Communications¹
Loblaw Companies

¹Position eliminated

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.

Fund size	\$85,884,042
Pre-fee Yield	2.7%
Avg Term to Matur.	10.9 yrs
Duration (Bonds)	8.0 yrs



Income Fund

Attributes

Top Holdings (% of Fund)

Quebec 3.50% (Dec/22)	5.9%
Quebec 3.50% (Dec/48)	5.9%
CHT 2.55% (Dec/23)	4.0%
Ontario 3.50% (Jun/24)	3.3%
Ontario 4.70% (Jun/37)	2.8%
Ontario 2.85% (Jun/23)	2.2%
Royal Bank	2.1%
CC&L High Yield Bond Fd	2.0%
Ontario 2.60% (Jun/25)	1.9%
BMO 1.61% (Oct/21)	1.8%

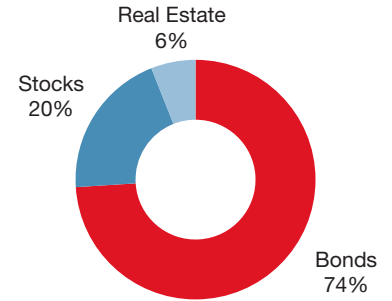
Issuer Allocation (Bonds)

Federal Government	12%
Provincial Government	48%
Corporate	40%

Rating Summary (Bonds)

AAA	13%
AA	59%
A	17%
BBB	10%
BB (or lower)	1%

Asset Mix



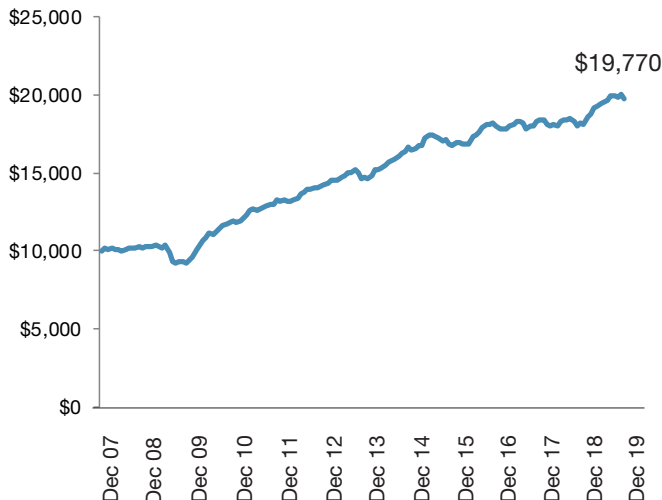
Performance

Compound Annualized Returns (as of December 31, 2019)

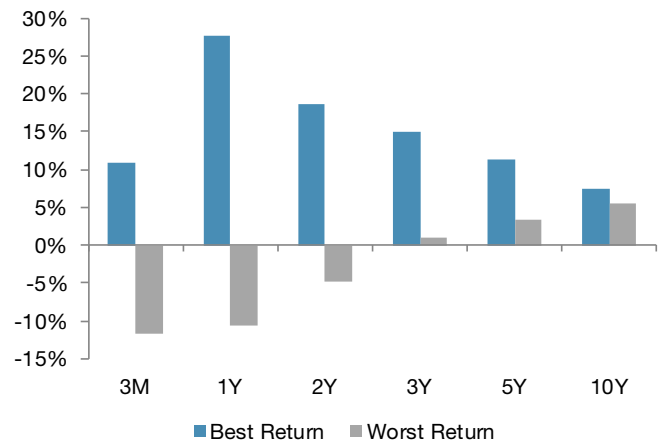
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
Income Fund (after-fee)	-0.9%	9.1%	9.1%	3.8%	3.5%	3.4%	5.6%	5.4%
FTSE Canada Universe Bond Index	-0.9%	6.9%	6.9%	4.1%	3.6%	3.2%	4.3%	4.5%
S&P/TSX Composite Index	3.2%	22.9%	22.9	5.8%	6.9%	6.3%	6.9%	5.2%

*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 22.9% in 2019.
- Global stocks, as measured by the Morningstar Developed Markets Index, gained 20.9% in Canadian dollar terms.

Portfolio Specifics

- The fund holds 24 stocks, of which 11 are headquartered in Canada, 7 overseas, and 6 in the U.S.
- The fund rose 16.9% in 2019. It was a strong year for many holdings, although the portfolio trailed the market due in part to its lighter exposure to the hotter sectors, including technology and gold.
- Corporate earnings were strong, which fueled handsome gains in stocks across a broad array of industries. Top performers in the year included CAE (flight simulators), RITCHIE BROS. AUCTIONEERS (auctioneer of industrial machinery), FRANCO-NEVADA (gold), SIKA (specialty chemicals), EXPERIAN (credit reporting), KEYENCE (automation sensors) and VISA (payment services).
- Results were strong irrespective of geography, with the fund's Canadian, American and overseas companies all contributing to the healthy return.
- One area that held back the portfolio was its energy investments. PASON SYSTEMS was a weak performer, falling more than 25% in 2019. The manager, Fiera Capital, sold the stock late in the year. Fiera still likes the company but feels the oil & gas service industry will continue to see low drilling volumes and tough days ahead. The fund's other energy holding, SUNCOR ENERGY, fared better, gaining more than 10%.
- FEMSA, the Mexico-based retail and beverage company, was also sold in the fourth quarter as the company made an acquisition of a U.S. foodservice business that is a deviation from its core expertise and changed Fiera's view of the company.
- DANAHER was purchased late in the year and is a good example of the type of business that Fiera covets. Danaher is an American science and technology innovator. It operates in the fields of life sciences, diagnostics and environmental solutions (where it's a global leader in water treatment). The company has growing revenues, several highly profitable business lines, is run by proven leaders who have a stake in the business, and operates in sectors with attractive long-term fundamentals. Steady growth is the name of the game at Danaher.
- The fund currently has a cash position of 1%.

The fund was up 3.4% in the quarter. Since inception (Feb 2007), it has a cumulative return of 132%, which equates to an annualized return of 6.8%.

Notable Transactions

Buy

Danaher*
Nutrien
Keyence
CCL Industries
*New holding

Trim/Sell

Pason Systems¹
FEMSA¹
Christian Hansen
Ritchie Bros. Auctioneers
Magna International

¹Position eliminated

Positioning

- The fund is comprised of two dozen businesses operating in a diverse array of industries. The manager's focus is on best-in-class companies that generate solid profits, have good growth prospects, and are well financed.

Fund size	\$99,180,889
No. of stocks	24



Equity Fund

Attributes

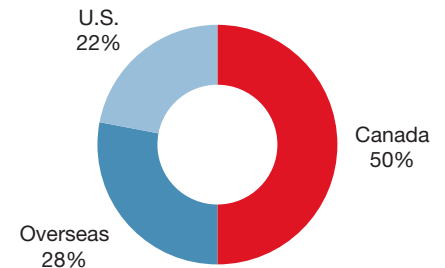
Top Stock Holdings

Franco-Nevada	6.5%
Visa	6.3%
TD Bank	6.1%
CME Group	5.3%
Suncor Energy	5.3%
CCL Industries	5.1%
Keyence	5.0%
CN Rail	4.9%
Sika	4.8%
Experian	4.5%

Sector Allocation (Stocks)

Industrial Goods & Svc	27.5%
Financial Services	24.6%
Healthcare	11.3%
Basic Materials	10.7%
Technology	7.5%
Retailing	6.6%
Oil & Gas	5.4%
Comm. & Media	3.5%
Consumer Cyclical	2.9%

Geographic Profile (Stocks)



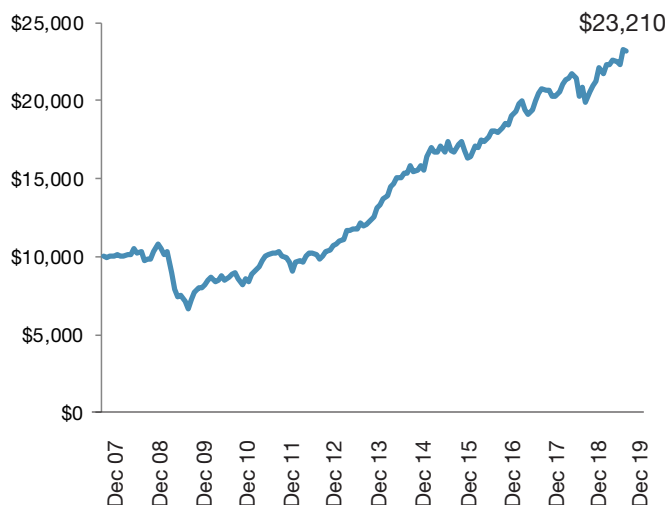
Performance

Compound Annualized Returns (as of December 31, 2019)

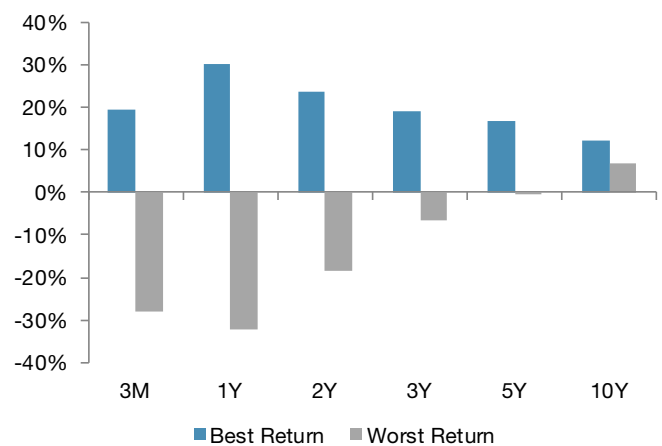
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep ¹
Equity Fund (after-fee)	3.4%	16.9%	16.9%	6.0%	7.7%	8.4%	10.2%	6.8%
S&P/TSX Composite Index	3.2%	22.9%	22.9%	5.8%	6.9%	6.3%	6.9%	5.2%
Morningstar Developed Mkts Index (\$Cdn)	6.4%	20.9%	20.9%	9.3%	11.0%	11.2%	12.0%	6.8%

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 20.9% in Canadian dollar terms in 2019.
- Stocks had one of their best years of the decade, with most markets posting double-digit gains. The American market (S&P 500 Index) was a standout, rising over 30% on big gains in tech stocks. European and Asian equities also had strong years.

The fund was up 8.3% in the quarter. Since inception (Feb 2007), it has a cumulative return of 42%, which equates to an annualized return of 2.8%.

Portfolio Specifics

- The fund holds 55 stocks, of which 22 are based in the U.S., 21 in Europe (including the U.K.), 9 in Asia, and 3 in Canada.
- The fund rose 11.2% in 2019. While it had a solid year in absolute terms, the portfolio trailed the broader market. The fund's focus on *value* companies (those with lower prices relative to earnings) rather than fast-growing businesses held back its return. The manager, Velanne Asset Management, feels the former group offers better opportunities going forward. Indeed, the performance gap between *value* and *growth* stocks has never been wider and is likely to revert eventually.
- Notable areas of strength included the fund's U.S. financial services and entertainment holdings (LEGG MASON, ARTISAN PARTNERS ASSET MANAGEMENT, ALLEGHANY, WALT DISNEY, DISCOVERY) and its Norwegian salmon investments (MOWI, BAKKAFROST, GRIEG SEAFOOD, NORWAY ROYAL SALMON). The fund's British holdings also rebounded in spite of the challenging political environment.
- Stocks that struggled in the year included Asian retailers (SEVEN & I, HYNUDAI HOME SHOPPING NETWORK) and energy companies (NORTHERN DRILLING, ENCANA, JXTG HOLDINGS). A few of the fund's oil & gas companies posted strong gains, however, notably ANADARKO PETROLEUM (which was acquired by Occidental), CGG, and CENOVUS ENERGY. The energy component of the portfolio has the potential to see significant price gains if oil prices firm up or sentiment becomes a little rosier.
- Healthcare companies comprise the largest part of the fund, making up one-fifth of investments. Holdings include drug makers (BAYER, ALLERGAN, TAKEDA), device manufacturers (ZIMMER BIOMET, MEDTRONIC), facility operators (SPIRE HEALTHCARE, MEDICLINIC, ATTENDO), and conglomerates (JOHNSON & JOHNSON). Healthcare stocks in general have been held back due to political concerns surrounding drug pricing. Velanne feels there is good value in these businesses, which generate significant cash flows, pay healthy dividends and are well financed. Further, an aging population promises that the industry's products and services will only see growing demand.
- The fund currently has a cash position of 3%.

Notable Transactions

Buy

Johnson & Johnson*
Stella-Jones
Northern Drilling
AIA

*New holding

Trim/Sell

Tadano¹
Alleghany

¹Position eliminated

Positioning

- Key areas of investment include healthcare, financial services, consumer products, oil & gas services, and media & entertainment companies.

Fund size	\$68,833,646
No. of stocks	55



Global Equity Fund

Attributes

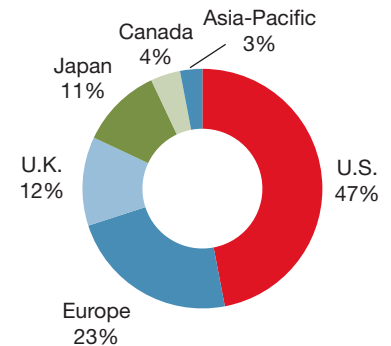
Top Stock Holdings

Zimmer Biomet	4.1%
Bayer	3.6%
Discovery, Inc.	3.5%
Heiwa Real Estate	3.5%
Mowi	3.3%
Medtronic	3.3%
Walt Disney Company	3.1%
Alleghany Corporation	3.0%
Chugoku Marine Paints	2.7%
Fox Corporation	2.7%

Sector Allocation (Stocks)

Healthcare	20.5%
Financial Services	16.8%
Consumer Products	13.7%
Oil & Gas	13.4%
Industrial Goods & Svc	11.1%
Comm. & Media	7.3%
Consumer Cyclical	5.6%
Real Estate	3.6%
Technology	2.7%
Retailing	2.1%
Utilities & Pipelines	1.9%
Basic Materials	1.3%

Geographic Profile (Stocks)



Performance

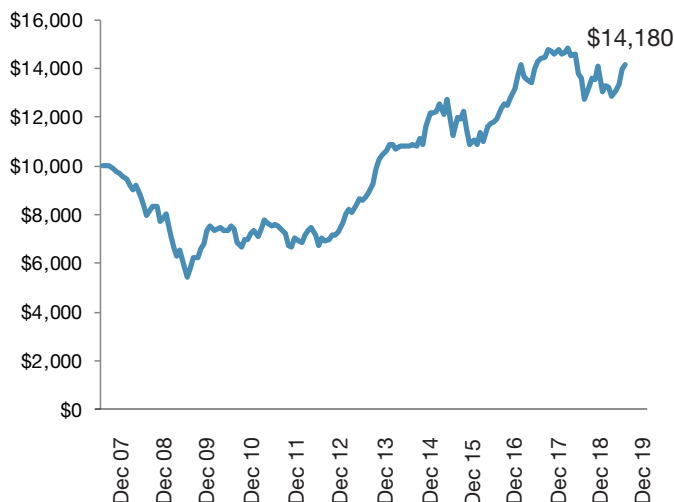
Compound Annualized Returns (as of December 31, 2019)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep ¹
Global Equity Fund (after-fee)	8.3%	11.2%	11.2%	-1.0%	4.2%	5.5%	6.6%	2.8%
Morningstar Developed Mkts Index (\$Cdn)*	6.4%	20.9%	20.9%	9.3%	11.0%	11.2%	12.0%	6.8%

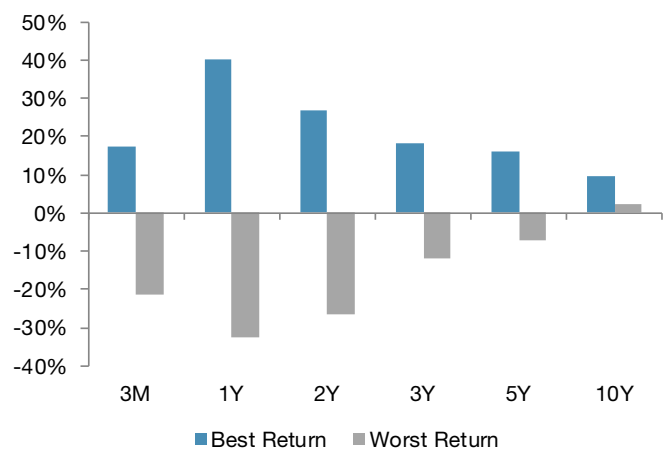
*The fund has declined -2.8% since September 30, 2018, which is Velanne's starting date as portfolio advisor. The index is up 10.1% over the same period.

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 15.8% in 2019. U.S. small-caps (Russell 2000 Index) rose 19.5% in Canadian dollar terms.
- Gold stocks were an area of strength, along with technology and industrial companies.

Portfolio Specifics

- The fund consists of 26 companies, ranging from very small (WATERLOO BREWING) to medium-sized businesses (FINNING). While the majority of holdings are Canadian, there are four U.S. stocks which make up 14% of the portfolio.
- The fund had an excellent year, rising 19.2%. Performance was strong across the portfolio, with several industrial and consumer stocks posting high double-digit gains. Standouts in the year were CARGOJET (overnight air cargo services), STERICYCLE (medical waste disposal), OSHKOSH (specialty trucks), POINTS INTERNATIONAL (consumer loyalty programs), and DREAM GLOBAL REIT (commercial real estate).
- A few investments disappointed, namely UNI-SELECT (sold), NFI GROUP and PASON SYSTEMS. The manager, Galibier Capital, purchased additional shares of NFI and Pason, as they feel these companies are worth significantly more than their share prices indicate. Both stocks are among the fund's top 10 holdings.
- An industry in which Galibier is finding compelling value is engineering and construction services. STANTEC has been a longstanding holding and SNC-LAVALIN and FLUOR were recently purchased. SNC has been in the news for all the wrong reasons, but Galibier feels the stock's steep decline coupled with the company's revised focus — it's exiting the construction business and refocusing on engineering services — present a good opportunity for investors. Indeed, the stock is up more than 70% since we purchased it in October. Fluor, a Texas-based global engineering firm, has also suffered from poor execution and write-downs. The firm has valuable expertise in the construction sector, however, and the selloff in the stock looks overdone. We've owned the company in the past and earned a solid return on it.
- Another area of interest is the food & beverage sector. PREMIUM BRANDS HOLDINGS (specialty food manufacturer) is the fund's 2nd largest holding and rebounded nicely in 2019. WATERLOO BREWING also bounced back from a tough 2018, and MAPLE LEAF FOODS is a new addition. The company is a big player in pork and poultry, and a leader in animals raised without antibiotics. As well, its plant-based *Lightlife* brand is gaining momentum. The stock has fared poorly because of lackluster profit growth (which should improve with cost cutting measures), presenting a good opportunity to buy.
- The fund currently has a cash position of 2%.

The fund was up 7.2% in the quarter. Since inception (Feb 2007), it has a cumulative return of 125%, which equates to an annualized return of 6.5%.

Notable Transactions

Buy

Maple Leaf Foods*
SNC-Lavalin*
Fluor Corporation*
Intertape Polymer Group

*New holding

Trim/Sell

Stericycle¹
Oshkosh Corp.
Middleby Corp.
Alcanna

¹Position eliminated

Positioning

- The portfolio has a unique composition, with key areas of investment being capital goods, transportation, food & beverage, and engineering services. This is in contrast to the small-cap market's heavy focus on resource companies.

Fund size	\$51,483,110
No. of stocks	26



Small-Cap Equity Fund

Attributes

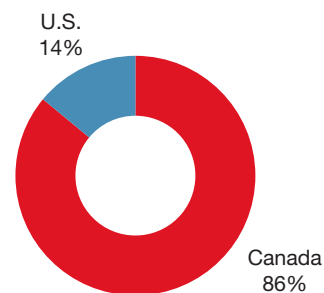
Top Stock Holdings

Ag Growth International	5.9%
Premium Brands Hldgs.	5.4%
Fluor	5.0%
NFI Group	4.9%
Spin Master	4.8%
Pason Systems	4.4%
Parkland Fuel	4.3%
Henry Schein	4.3%
Finning	4.3%
Intertape Polymer	4.2%

Sector Allocation (Stocks)

Industrial Goods & Svc	46.5%
Consumer Cyclical	15.6%
Consumer Products	13.3%
Oil & Gas	10.3%
Healthcare	4.3%
Basic Materials	4.1%
Utilities & Pipelines	3.6%
Retailing	2.3%

Geographic Profile (Stocks)



Performance

Compound Annualized Returns (as of December 31, 2019)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep ¹
Small-Cap Equity Fund (after-fee)*	7.2%	19.2%	19.2%	0.9%	6.4%	3.6%	8.4%	6.5%
S&P/TSX SmallCap Index	6.2%	15.8%	15.8%	-2.6%	-0.9%	3.2%	3.1%	1.3%
Russell 2000 Index (\$Cdn)	7.8%	19.5%	19.5%	7.5%	7.4%	10.7%	14.3%	8.1%

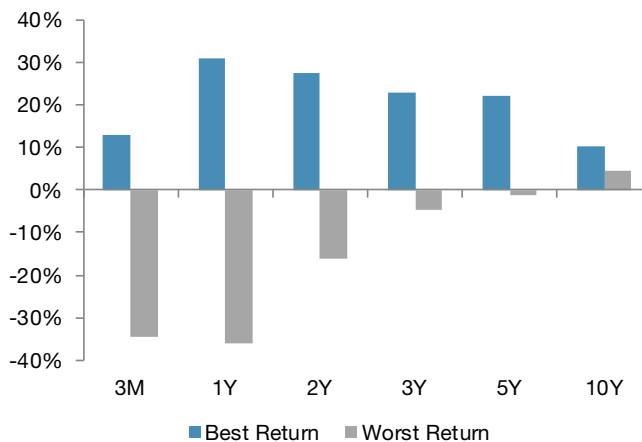
*The fund has gained 28.0% since September 30, 2016, which is Galibier's starting date as portfolio advisor. The Canadian index is up 0.4% over the same period.

¹Feb 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) gained 24.3% in 2019 in Canadian dollar terms.
- Technology, industrial and real estate stocks were notable areas of strength, while energy companies 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 is managed by New York-based TimesSquare Capital Management, which specializes in small-cap investing. The portfolio is expected to hold between 40 and 50 stocks around the globe. It's currently invested in 41 companies. Seventeen are in the U.S., 15 in Europe (including the U.K.), 7 in Japan and 2 in Australia.
- Financial services stocks comprise 22% of the fund. The manager has found compelling investments in the insurance industry. Its highly regulated nature and customer preferences for established players makes it difficult for new entrants. The fund holds Australia-based CHALLENGER and STEADFAST GROUP. Steadfast is the largest broker in Australia and New Zealand, while Challenger sells annuity products in Australia and Japan. The fund also holds Danish insurer TOPDANMARK, and Bermuda/U.S.-based reinsurer RENAISSANCE RE.
- Technology is also a significant area of investment. Holdings include GARTNER (a world leader in technology research), WEX (payment processor for commercial vehicle fleets), J2 GLOBAL (provider of messaging and communications services), and IIT (manufacturer of highly engineered components in electronics, aviation and transport markets).
- Turnover was higher than usual in the second half of the year. Four companies were sold in the fourth quarter: Japanese real estate company OPEN HOUSE, retailer IZUMI, U.S.-headquartered PLANET FITNESS, and cable services provider CABLE ONE.
- The proceeds of the above sales were used to add to several existing holdings and to buy Japanese discount supermarket chain KOBE BUSSAN. Kobe Bussan owns its own farms and is able to offer grocery staples cheaper than its competitors. TimesSquare expects revenues to grow as Japanese consumers look for affordable produce and meat in deflationary times.

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

Kobe Bussan*
Topdanmark
Kennedy-Wilson
Cushman & Wakefield

*New holding

Trim/Sell

Open House Co.¹
Planet Fitness¹
Izumi Co.¹
Cable One¹
Apollo Global Management

¹Position eliminated

Fund size	\$6,141,762
No. of stocks	41



Global Small-Cap Equity Fund

Attributes

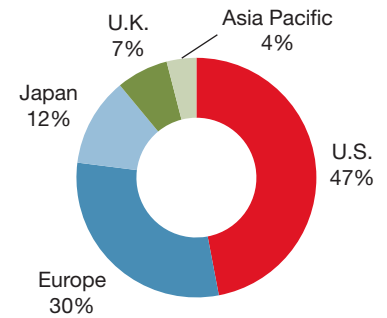
Top Stock Holdings

Teleperformance	4.5%
RPM International	4.4%
Topdanmark	3.7%
St. James's Place	3.6%
Cushman & Wakefield	3.5%
Gartner	3.4%
Nordic Entertainment	3.4%
RenaissanceRe	3.1%
Kennedy-Wilson	3.1%
Wex	3.0%

Sector Allocation (Stocks)

Financial Services	22.2%
Technology	19.2%
Industrial Goods & Svc	18.1%
Healthcare	12.8%
Consumer Cyclical	9.8%
Real Estate	7.0%
Retailing	4.6%
Consumer Products	4.0%
Oil & Gas	2.3%

Geographic Profile (Stocks)



Performance

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

¹Inception 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. It’s 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

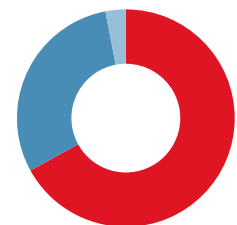
- Securities regulations prohibit us from discussing performance until the fund reaches the 1-year mark. Our discussion will focus instead on the fund’s composition.
- Two-thirds of the fund is invested in foreign stocks. The Global Fund and Global Small-Cap Fund have the most latitude to invest outside 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, TOPDANMARK (insurance), LEGG MASON (asset management), and EXPERIAN (credit ratings), among others. It’s a far cry from owning five Canadian banks and insurers.
- In healthcare, holdings include NOVARTIS (pharmaceuticals), ZIMMER BIOMET (medical devices), ORPEA (nursing care) and HENRY SCHEIN (dental equipment).
- 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 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 selling stocks or waiting for the right price to buy. 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	66%
Canadian Stocks	31%
Cash & Short-term	3%

Positioning

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

Fund size \$64,836,447



Builders Fund

Attributes

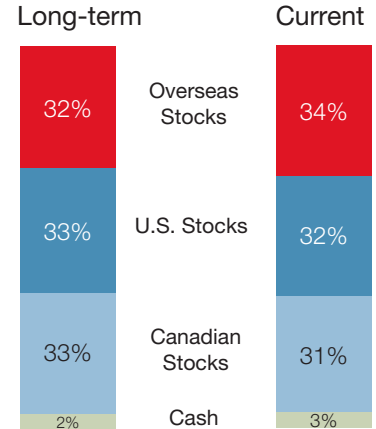
Top Stock Holdings (% of Fund)

Franco-Nevada	2.3%
Visa	2.2%
TD Bank	2.1%
CME Group	1.9%
Suncor Energy	1.9%
CCL Industries	1.8%
Keyence	1.8%
CN Rail	1.7%
Sika	1.7%
Experian	1.6%

Sector Allocation (Stocks)

Industrial Goods & Svc	22.6%
Financial Services	17.8%
Healthcare	13.7%
Oil & Gas	8.5%
Consumer Products	7.3%
Consumer Cyclical	6.8%
Technology	6.4%
Basic Materials	5.5%
Retailing	4.1%
Comm. & Media	3.8%
Real Estate	2.3%
Utilities & Pipelines	1.2%

Asset Mix



Performance

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

¹Inception date: February 15, 2019.

Savings Fund

Market Context

- The Bank of Canada left its key lending rate unchanged in 2019, at 1.75%.
- Canada’s policy rate is now one of the highest in the developed world, as many foreign central banks cut rates during the year, including the U.S. Federal Reserve.
- In its December statement, the central bank highlighted that consumer spending and housing investment were sources of strength in Canada, along with steady wage growth. The Bank expects global economic growth to edge higher over the next couple of years, with trade conflicts being the biggest source of risk. Future rate decisions will be guided by the Bank’s continuing assessment of these conflicts.

Positioning

- The manager’s (Connor, Clark & Lunn) preference for corporate paper continued to add value for the fund in 2019. 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 December was 1.9%.

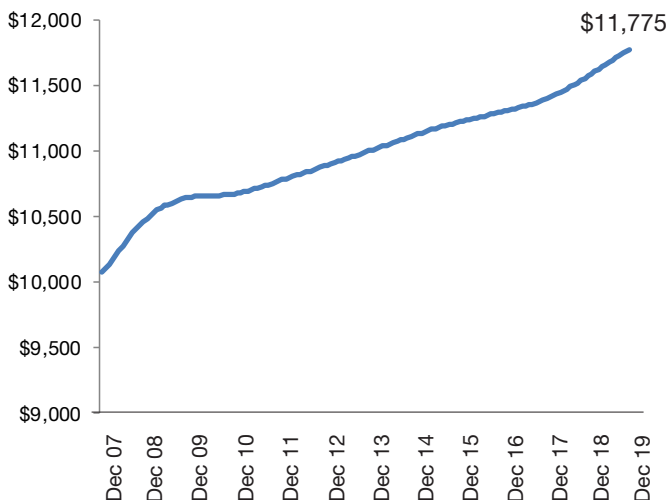
Performance

Compound Annualized Returns (as of December 31, 2019)

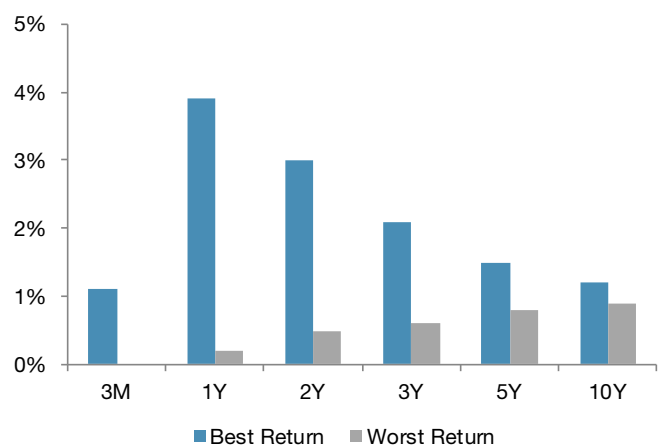
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
Savings Fund (after-fee)	0.4%	1.8%	1.8%	1.7%	1.4%	1.1%	1.0%	1.3%
FTSE Canada 91 Day T-Bill Index	0.4%	1.6%	1.6%	1.5%	1.2%	0.9%	0.9%	1.3%

*Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Reasons to be upbeat about markets you won't find in the headlines

Special to the National Post, by Tom Bradley, December 14, 2019

What's with the stock market? It's on wheels this year even though the world's a mess. The U.S. & China trade file has become ever more dysfunctional, Brexit is never-ending and interest rates are telling us the economy is fragile.

There are a few possible explanations for this disconnect. First, we must always remember that Mr. Market isn't reading the current news. He only cares about what's happening 12-18 months from now.

Second, a portion of this year's return is a recovery from last year's weak fourth quarter. It's now clear that the pullback went too far.

And finally, there's the forgotten positives. Factors that are hidden in the shadows while gloom and controversy hog the spotlight. Bad news gets the most attention, even if it's not most important.

As we look forward, here are four positive factors that aren't dominating the headlines.

Growth in the distance

Many investors are concerned that the current economic slowdown will spiral into recession and devastate corporate profits. To weigh this risk, it's useful to look at some numbers. The most recent forecast from Capital Economics pegs Global GDP growth at 2.7 per cent for 2020, down from 2.9 per cent this year and 3.6 per cent in 2018. These numbers tell us that while western countries scratch and claw for growth, the rest of the world is on a faster trajectory.

In support of these estimates, the Brookings Institution projects that the world's middle class will grow by 150-170 million people per year between now and 2030. It may not be middle class as we define it, but this trend will translate into increased purchases of goods (appliances and TV's) and services (transportation, entertainment and vacations).

Investors with a good set of binoculars are still finding growth and the potential that goes with it.

Turbulence leads to change

Tariff wars are causing disruption, but world trade may exit this period of uncertainty on a stronger foundation. I say that because companies are being forced to be less U.S. and China-centric. New relationships are developing as the dominant powers show themselves to be unreliable partners.

Contributing to this new balance is a more realistic assessment of the risks that go along with dealing with China. The risk premium has been reset as it gets more difficult to ignore the giant's lack of respect for foreign capital, intellectual property and human rights.

In Canada, we're feeling the effects of this reset. Some exporters are being negatively affected (hopefully temporarily), but other industries are benefiting. For instance, we're creating a record number of technology jobs as global companies expand here and an eco-system develops for home-grown start-ups.

The uncertainty around trade may prove to be worse than the worst outcome.

Reasonable valuations

Price-to-earnings multiples (P/Es) are in the middle of their historical range at the moment, despite the market's impressive run. This is because P/Es started the year at a low level and the 'E' (earnings) continues to grow.

Drilling deeper, the market multiple understates just how reasonable some valuations are. There's been a bifurcation in the market whereby companies with above-average growth are trading at historically high valuations and the rest are priced quite reasonably. Indeed, the P/E gap between growth and value has only been this wide once before, which was during the tech boom in the late 1990s.

Investor mood

The most common questions we get these days are about the next recession. Is it near? How bad will it be? What impact will it have on portfolios? What this tells us is, that despite rising stock prices, investors are wary of what's ahead and are not overly bullish.

Investor sentiment is a contrarian indicator — too bullish is bad for stocks; too bearish is good. At extremes, it provides a much-needed gut check. Today's readings, however, are unremarkable. The mood of investors is neither greedy nor fearful.

What will drive the market in 2020 is anyone's guess, but it's less likely to be the hot button issues we read about every day. They're already baked into the cake. It's more likely to be the things that are not yet appreciated. After all, Mr. Market is good at nosing around in the shadows.



Steadyhand

WHERE TO FROM HERE?

2020 Client Presentation

Be sure to join the Steadyhand team at our annual client presentation, *Where to From Here?*, this winter! The event will be held in seven cities this year. Visit our [website](#) for event dates and venues.

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