

# Steadyhand

**Q4**  
2020

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“The fundamental law of investing is the uncertainty of the future.”

— Peter Bernstein



## Bradley's Brief



2020 was like a game of golf. The score on the card doesn't always tell the story. Drive it in the trees. Chip out into a fairway bunker. Hit it close to the green. Chip in for a par.

Our balanced clients had a par in 2020 but their return doesn't tell the full story. To fill in the narrative, I'm going to open up my diary. (Note: references to the Founders Fund are relevant to most Steadyhand portfolios.)

*January/February* – The market is on wheels and valuations are getting stretched. Our 5-year projection for equity returns is coming down and we're gradually reducing the fund's stock weight. It's now below target at 56-57%.

*March* – I usually love bear markets, but this is no fun. The speed of the market decline and the unknowns around COVID-19 are mind-blowing. Bob Hager's words are ringing in my ears – “Go up with more than you went down with.” We're sticking to our disciplines and moving to get Founders' stock weighting back up.

*April to summer* – I'm glad we acted decisively. The market didn't stay down long. Founders is fully invested (62-66% stocks). With so much dislocation in the market, our managers are more active than usual. Joe [Small-Cap Fund] tells me this has been the most intense period in his career.

These pressure-packed times are when we learn the most about our managers. None of them blinked. I'm pleased but also frustrated, especially with the Global Fund. Anne is showing us how compelling the opportunities are for her kind of value stocks, but the market doesn't care. It's being carried by a handful of tech stocks.

*October* – It's getting silly. Blank cheque companies (SPACs) and loss-making IPOs are the rage. It's all about the story. I can't believe how many fund managers are saying they don't care about valuation. This isn't sustainable. Valuation is like gravity. You can't resist it forever. For us, it's a good

news, bad news situation. I'm comfortable having little exposure to speculative companies, but this stance hurt our returns earlier in the year.

The vaccines have turned on a light at the end of the tunnel. Our performance has really picked up despite the continued hype about Tesla, Apple, Airbnb, DoorDash, etc. We're sticking with a full allocation to stocks. Near zero interest rates are a double whammy – they make fixed income unattractive and companies more valuable.

*November* – Salman asks whether we're swinging at the 'fat pitch'. He's referring to the extreme valuation gap between the tech darlings and some of the boring stocks we own. Do we own enough of the latter? The answer is yes. We'll go up with less oil (which hurt us going down) but the companies we sold were replaced with higher-quality ones that have just as much, or more, recovery potential.

A number of important investment principles ooze out of my 2020 diary:

- Stock markets overreact.
- When the consensus is extremely bearish, it's a less risky time to invest.
- Interest rates have a huge impact on how bonds and stocks are valued.
- A good investment plan should anticipate periods of weakness.
- You need to lean on your plan the most when you trust it the least.

In 2021, we're counting on another principle coming into play – 'valuation is the best predictor of future returns'. As will be clear in the following pages, we remain disciplined on the price we pay and are well positioned for the post-vaccine world.



## Key Takeaways

### Stocks

- Stocks had a dreadful first quarter as COVID-19 reared its ugly head, but rebounded handsomely in the ensuing nine months to finish 2020 in positive territory. The U.S. market (S&P 500 Index) was once again a leader, rising 18% (in U.S. dollars) with emerging markets close behind. Europe and Japan also saw nice gains.
- The Canadian market (S&P/TSX Composite Index) wasn't as strong, rising 5.6%. Precious metals and tech stocks were the strongest performers while energy lagged.
- The loonie appreciated against the U.S. dollar in 2020 (+2%) but fell against the Euro (-6%), Japanese Yen (-3%) and British Pound (-2%). Our dollar's weakness against other currencies boosted the returns of foreign stocks for Canadian investors.

### Bonds

- The Canadian bond market (FTSE Canada Universe Bond Index) provided a total return of 8.7% in 2020, a fabulous result given the low interest rate environment.
- Interest rates declined, with the 10-year Government of Canada bond yield falling from 1.7% to 0.7% (it reached an all-time low of 0.43% in August).
- Corporate bonds were leading performers as investors sought higher yields in lieu of the greater safety that comes with government securities.

### Our Funds

- Our funds had a positive year (the Equity Fund was a standout) with the exception of the Global Fund. Our balanced clients' portfolios were up roughly 8%. Over the past 10 years, our balanced returns were in the range of 6% to 7% per year.
- The stock weighting in the Founders Fund ranged from the mid 50's in February to the mid 60's in early summer. It's currently 63%, reflecting our constructive outlook.
- In the context of our balanced portfolios, key transactions in the fourth quarter included the purchase of SAVARIA (Canada), and the sale of WOODWARD (U.S.), MEDTRONIC (U.S.), PASON SYSTEMS (Canada) and BODYCOTE (U.K.).

## Our Advice to Clients

We recommend that your equity weighting be near your long-term target. In the Founders Fund, our stock weighting is 63%, which is slightly above the 60% target. We feel valuations remain attractive, particularly in sectors that haven't fully participated in the rally. If you bought equities in March, your stock weighting may be considerably higher now and some rebalancing may be necessary. Our outlook for bonds is subdued as yields are unattractive. We recommend a below-average position in the asset class, with cash as an alternative. In the Founders Fund, 14% of the portfolio is currently held in cash.

For our latest thoughts on asset mix and the advice we're giving clients, you can always visit the [Current Outlook](#) page on our website, or give us a call at 1.888.888.3147.

### Market Returns

	3M	1Y
Canada	9.0%	5.6%
World	9.4%	13.7%

	3M	1Y
Bonds	0.6%	8.7%

### Fund Returns

	3M	1Y
Savings	0.0%	0.8%
Income	3.0%	7.1%
Founders	8.0%	8.5%
Builders	12.4%	6.9%
Equity	5.3%	14.4%
Global	18.6%	-1.1%
Small-Cap	16.8%	4.9%
Global Small-Cap	11.5%	7.6%



## 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.
- Tom Bradley, our Chief Investment Officer, 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 2020, the fund had a return of 8.5%. The fourth quarter completed a strong recovery from the pandemic-induced lows of March. We said in last quarter's writeup that "our offence ... will come from parts of the stock market that have lagged and still offer meaningful upside." This came to pass as a broader range of stocks caught fire late in the year on news of vaccine approvals.
- The fund has been fully invested in stocks (62-66% of assets) since April and has benefited from the market recovery. Starting in the summer, however, rising stock prices (and valuations) prompted us to start rebalancing to keep the equity exposure in the low 60's.
- The fund has a structural bias to foreign-based companies which provide better exposure to important industries like healthcare, technology, and consumer products and services.
- While the fund's asset mix is important, returns are primarily driven by the performance of the underlying funds. It bears repeating that through its fund holdings, Founders owns a diverse mix of stocks across industries and geographies. We also have diversity across the pandemic spectrum – i.e. stocks that benefit from lockdown versus ones that need the economy to reopen – although we have a bias towards the unheralded recovery stocks that have low expectations and more reasonable valuations.
- The largest transactions during the quarter (in the underlying funds) included a new position in SAVARIA (Canada), and the sale of WOODWARD (U.S.), MEDTRONIC (U.S.), PASON SYSTEMS (Canada) and BODYCOTE (U.K.).

### Positioning

- The Founders Fund is always seeking a balance between reward and risk. In March, we shifted towards offence by adding to stocks. In the second quarter, we maintained this position. In the second half of the year, however, we were more active in trimming stocks to keep the weighting near the 60% target.
- We are concerned about COVID-19's second wave but believe it's offset by low interest rates and the enormous valuation gap between the lockdown stars and the rest of the market.
- For more details on the underlying funds, please review pages 8-18.

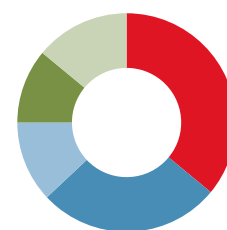
The fund was up 8.0% in the quarter. Since inception (Feb 2012), it has a cumulative return of 82%, which equates to an annualized return of 7.0%.

#### Fund Mix

Income	32%
Global	23%
Equity	19%
Small-Cap	8%
Global Small-Cap	6%
Cash	12%



#### Asset Mix



Foreign Stocks	36%
Canadian Stocks	27%
Gov't Bonds	12%
Corporate Bonds	11%
Cash & Short-term	14%

Fund size \$537,473,219



## Founders Fund

### Attributes

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

TD Bank	1.4%
CN Rail	1.4%
Brookfield Renewable	1.3%
Keyence	1.3%
Franco-Nevada	1.2%
Visa	1.1%
Walt Disney	1.1%
Heiwa Real Estate	1.1%
Zimmer Biomet	1.1%
Telus	1.0%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	24.7%
Financial Services	20.3%
Healthcare	11.2%
Technology	7.0%
Consumer Products	5.9%
Utilities & Pipelines	5.5%
Comm. & Media	5.4%
Basic Materials	5.0%
Consumer Cyclical	4.9%
Real Estate	4.7%
Oil & Gas	3.1%
Retailing	2.3%

#### Asset Mix

Long-term		Current
17%	Overseas Stocks	20%
17%	U.S. Stocks	16%
26%	Canadian Stocks	27%
35%	Bonds	23%
5%	Cash	14%

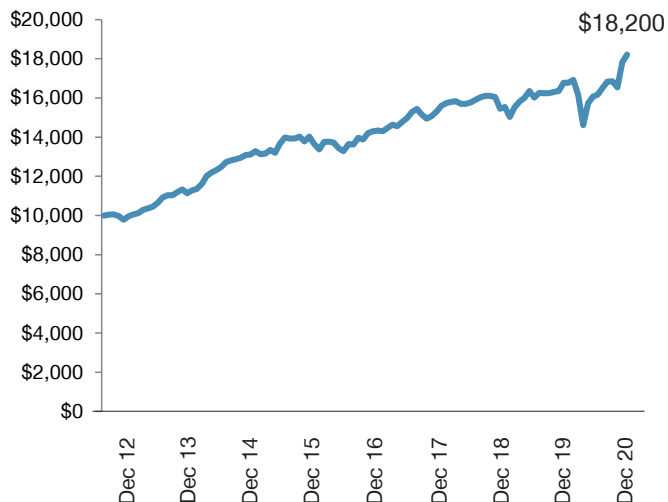
### Performance

#### Compound Annualized Returns (as of December 31, 2020)

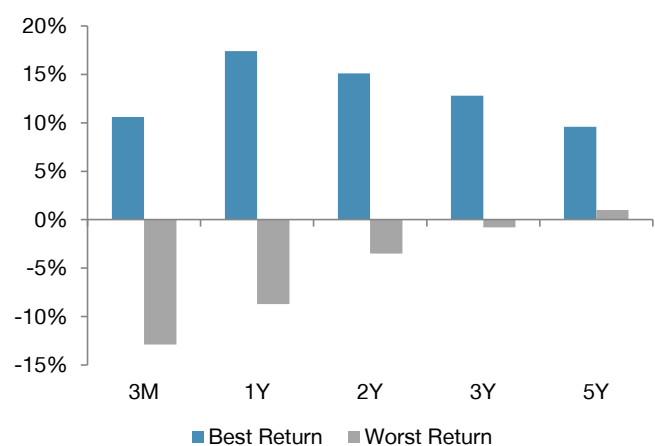
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep <sup>1</sup>
<b>Founders Fund (after-fee)</b>	<b>8.0%</b>	<b>8.5%</b>	<b>8.5%</b>	<b>10.1%</b>	<b>4.8%</b>	<b>5.8%</b>	<b>N/A</b>	<b>7.0%</b>
FTSE Canada Universe Bond Index	0.6%	8.7%	8.7%	7.8%	5.6%	4.2%	N/A	4.0%
S&P/TSX Composite Index	9.0%	5.6%	5.6%	13.9%	5.7%	9.3%	N/A	7.1%
Morningstar Developed Mkts Index (\$Cdn)	9.4%	13.7%	13.7%	17.2%	10.8%	10.1%	N/A	13.9%

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

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



#### Best and Worst Annualized Returns



## 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.

The fund was up 12.4% in the quarter. Since inception (Feb 2019), it has a cumulative return of 16%, which equates to an annualized return of 8.3%.

### Portfolio Specifics

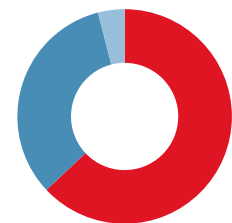
- The Builders Fund rose 6.9% in 2020. That the fund ended the year with a positive return is remarkable when considering the steep declines in February and March.
- Despite its positive return, the fund lagged. Simply put, three of the four underlying funds didn’t keep up with markets, which were led by technology and precious metal stocks. Technology stocks have become market darlings during the pandemic. Some are deserving of the status as their businesses improved in a world forced to go virtual. But many high-profile companies continue to lose money and are years away from being profitable. We own technology companies across our funds, but steer clear of the speculative areas. All our managers have raised alarm bells over the prices of technology stocks in general. As for precious metals stocks, they rarely make the cut for our funds as they are capital intensive and profits are dependent on the price of a commodity (e.g. gold), which is out of the miners’ control.
- Our funds have missed some of the speculative lift, but we’re confident our managers have planted the seeds for future performance. The stock charts of some holdings might not reflect it, but the businesses we own continue to be led by experienced executives, have little debt, and continue to turn a profit. Our managers have also made changes to better position the funds for a post-vaccine(s) world.
- We might already be seeing those seeds sprout. The Builders Fund produced a double-digit return in the fourth quarter. Performance was driven by the funds that lagged for much of the year. We don’t hang our hat on these short-term numbers, but it does give us an indication of the funds’ potential.
- Builders continues to be diversified across industries and looks different than most Canadian portfolios. The largest sector weight, industrial goods & services, includes an assortment of companies including CN RAIL, KONECRANES (lifting equipment), SIKA (specialty chemicals) and FINNING (Caterpillar dealer). Other important sectors are also diverse in their makeup. In financial services, the fund owns TD BANK, TOPDANMARK (insurance), ARTISAN PARTNERS (asset management), and EXPERIAN (credit ratings), among others. It’s a far cry from owning five Canadian banks.

#### Fund Mix

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



#### Asset Mix



Foreign Stocks	62%
Canadian Stocks	33%
Cash & Short-term	5%

Fund size \$98,603,199

### Positioning

- Refer to pages 10-17 for details on the underlying funds.



## Builders Fund

### Attributes

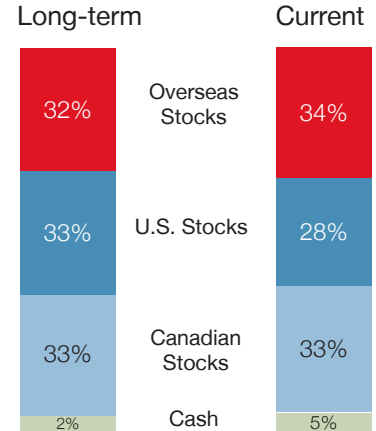
#### Top Stock Holdings (% of Fund)

Keyence	2.3%
Franco-Nevada	2.2%
Visa	2.0%
Brookfield Renewable	2.0%
CN Rail	1.7%
Sika	1.7%
Ritchie Brothers	1.7%
Danaher	1.7%
TD Bank	1.6%
Walt Disney	1.6%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	26.9%
Financial Services	18.3%
Healthcare	12.8%
Technology	8.4%
Consumer Products	6.1%
Basic Materials	6.0%
Consumer Cyclical	5.7%
Comm. & Media	4.4%
Utilities & Pipelines	4.1%
Oil & Gas	3.1%
Retailing	2.1%
Real Estate	2.1%

#### Asset Mix



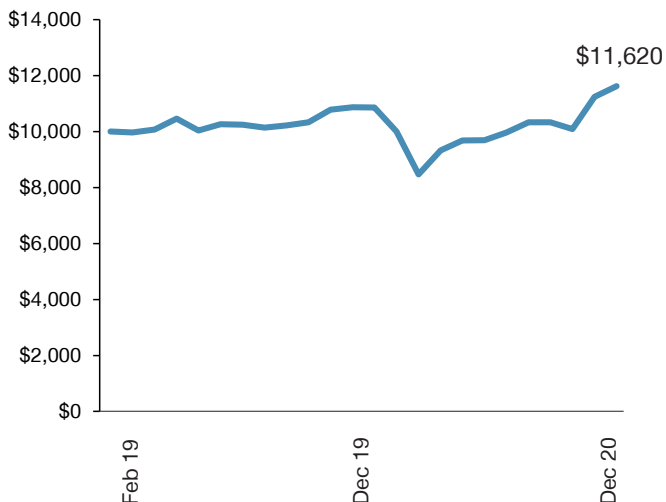
### Performance

#### Compound Annualized Returns (as of December 31, 2020)

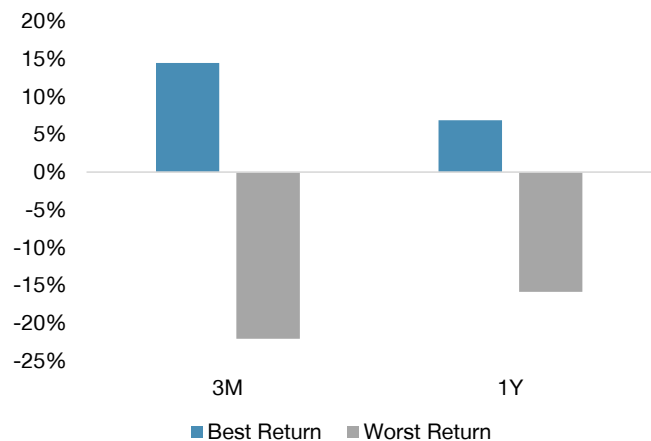
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep <sup>1</sup>
<b>Builders Fund (after-fee)</b>	<b>12.4%</b>	<b>6.9%</b>	<b>6.9%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>8.3%</b>
Morningstar Developed Mkts Index (\$Cdn)	9.4%	13.7%	13.7%	N/A	N/A	N/A	N/A	13.2%
S&P/TSX Composite Index	9.0%	5.6%	5.6%	N/A	N/A	N/A	N/A	8.7%

<sup>1</sup>Feb 15, 2019

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



#### Best and Worst Annualized Returns



## Income Fund

### Market Context

- The Canadian bond market gained 8.7% in 2020 (interest and capital appreciation).
- Interest rates declined during the year, with the 10-year Government of Canada bond yield falling from 1.7% to 0.7% (it reached an all time low of 0.43% in August).
- Canadian stocks gained 5.6%. Tech and precious metal stocks were areas of strength.

### Portfolio Specifics

- The fund gained 7.1% in 2020. Its bond holdings (73% of the portfolio) provided strong returns, gaining over 10% in aggregate, while the dividend-paying equity component of the portfolio (27%) turned in only a modest return.
- Bonds in general had a good year as interest rates declined (when rates fall, bond prices rise). Corporate bonds in particular were strong performers as investors sought higher yields in lieu of the greater safety that comes with government securities. The portfolio benefited from this, as it had a healthy allocation to ‘corporates’ throughout the year (roughly one-third of the fund). Investments were focused on high-quality issuers with stable earnings such as utilities, telecoms and banks.
- The portfolio’s provincial government holdings (also roughly one-third of the fund) also fared well in this environment as investors favoured the yield advantage these securities offered over Government of Canada bonds.
- The manager (Connor, Clark & Lunn) feels that policymakers have laid the groundwork for a long period of accommodation (i.e. low interest rates and other supportive monetary policies) which should lift financial markets over the medium term. Hence, the portfolio’s continued preference for corporate and provincial bonds.
- Risks that CC&L are closely monitoring include: a difficult winter to get through with the virus still prevalent; a possible early pullback of stimulus; and the growing mountain of debt that could constrain consumers. Bond investments continue to have a bias towards highly liquid (easy to trade) securities as a defensive measure.
- The fund’s dividend stocks held back its return in the year as key sectors of investment including banks, real estate, telecoms and consumer staples trailed the hotter areas of the market where we have little exposure (precious metals and technology). We feel our focus on more defensive, steady cash-generating companies remains a prudent strategy.
- The fund paid distributions totaling \$0.45/unit in 2020.

### Positioning

- CC&L feels that low interest rates and accommodative policies will remain in place for a long time, which is supportive of a healthy weighting in corporate bonds.
- Stocks make up 27% of the fund and remain an important source of diversification and yield. The manager has a current bias towards high-quality large cap stocks.

The fund was up 3.0% in the quarter. Since inception (Feb 2007), it has a cumulative return of 112%, which equates to an annualized return of 5.6%.

### Notable Stock Transactions

#### Buy

Great-West Lifeco\*  
Boralex\*  
Parkland  
Bank of Montreal  
iA Financial  
\*New holding

#### Trim/Sell

Fortis<sup>1</sup>  
First Capital REIT<sup>1</sup>  
Pembina Pipeline  
Empire Company  
BCE

<sup>1</sup>Position eliminated

Fund size	\$87,453,796
Pre-fee Yield	2.0%
Avg Term to Matur.	10.8 yrs
Duration (Bonds)	8.3 yrs





## Income Fund

### Attributes

#### Top Holdings (% of Fund)

Ontario 2.60% (Jun/25)	4.6%
CC&L High Yield Bond Fd	3.5%
Quebec 1.90% (Sep/30)	3.3%
Quebec 2.75% (Sep/25)	3.2%
Ontario 4.70% (Jun/37)	2.3%
Royal Bank	2.0%
Quebec 3.75% (Sep/24)	1.9%
BMO 2.85% (Mar/24)	1.8%
Canadian Apartment Ppty	1.7%
Canada 0.50% (Dec/50)	1.7%

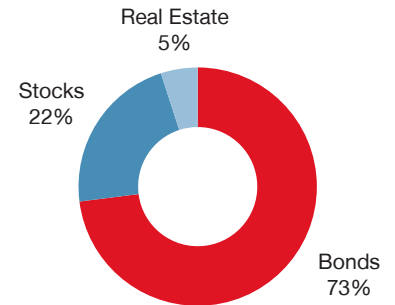
#### Issuer Allocation (Bonds)

Federal Government	4%
Provincial Government	48%
Corporate	48%

#### Rating Summary (Bonds)

AAA	7%
AA	47%
A	25%
BBB	18%
BB (or lower)	3%

#### Asset Mix



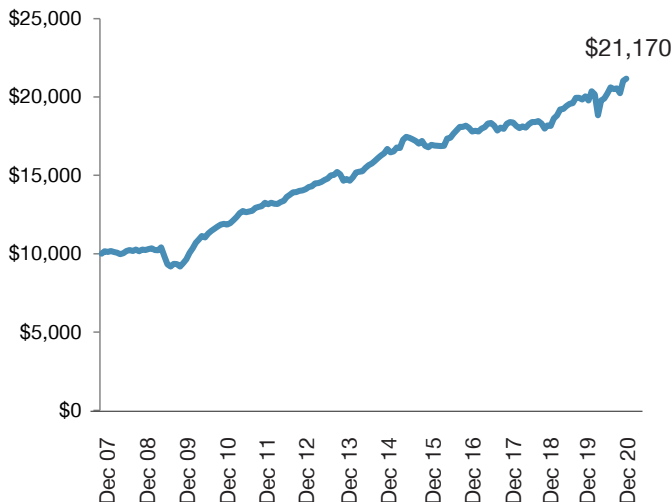
### Performance

#### Compound Annualized Returns (as of December 31, 2020)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
<b>Income Fund (after-fee)</b>	<b>3.0%</b>	<b>7.1%</b>	<b>7.1%</b>	<b>8.1%</b>	<b>4.9%</b>	<b>4.6%</b>	<b>5.2%</b>	<b>5.6%</b>
FTSE Canada Universe Bond Index	0.6%	8.7%	8.7%	7.8%	5.6%	4.2%	4.5%	4.8%
S&P/TSX Composite Index	9.0%	5.6%	5.6%	13.9%	5.7%	9.3%	5.8%	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 5.6% in 2020. Basic materials and technology were sectors of strength while energy stocks were weak.
- Global stocks, as measured by the Morningstar Developed Markets Index, gained 13.7% in Canadian dollar terms.

### Portfolio Specifics

- The fund holds 24 stocks, of which 13 are headquartered in Canada, 6 in the U.S., and 5 overseas.
- The fund rose 14.4% in 2020 in what marked an excellent period for the portfolio. It had a mix of defensive companies that fared well in a locked down world and higher growth businesses that were well positioned to benefit from changes in the way we all worked, communicated and shopped in a historic year.
- On the defensive side, RITCHIE BROTHERS AUCTIONEERS (auctioneer of industrial equipment), FRANCO-NEVADA (a gold royalty company) and SIKA (makes specialty chemicals) were top performers. MICROSOFT (software and cloud applications), KEYENCE (makes automation sensors and barcode readers) and VISA (payment processing) were standouts on the growth side.
- Other notable holdings included: DANAHER, an innovative healthcare conglomerate which had a great year as its businesses were involved in every COVID-19 vaccine candidate that's part of America's "Warp Speed" program; and BROOKFIELD RENEWABLE PARTNERS, which operates renewable power assets including hydro, solar and wind.
- The manager, Fiera Capital, favours businesses with little or no debt that have strong pricing power. These attributes were important in 2020 as companies that were highly levered or didn't have some form of competitive advantage were among the hardest hit.
- The portfolio does have some exposure to more economically-sensitive stocks as Fiera sees diversification value in owning "cyclical" companies poised to benefit when an economic recovery takes hold. These stocks, which include CAE (a leader in flight simulators), TOROMONT (heavy equipment dealer) and NUTRIEN (a leading provider of crop inputs) rebounded nicely in the fourth quarter amid growing optimism that the coronavirus' days are numbered along with its grip on the economy.
- The fund currently has a cash position under 1%.

The fund was up 5.3% in the quarter. Since inception (Feb 2007), it has a cumulative return of 166%, which equates to an annualized return of 7.3%.

### Notable Transactions

#### Buy

Metro  
Thomson Reuters  
Brookfield Renewable  
Verisign

#### Trim/Sell

CCL Industries  
CAE

### Positioning

- The fund is comprised of two dozen businesses operating in a diverse array of industries, from railroads to packaging to construction to software. The manager's 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	\$100,296,919
No. of stocks	24



## Equity Fund

### Attributes

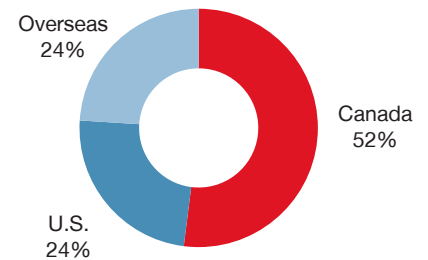
#### Top Stock Holdings

Keyence	6.7%
Franco-Nevada	6.4%
Visa	5.9%
Brookfield Renewable	5.4%
CN Rail	5.1%
Sika	5.1%
Ritchie Brothers	5.1%
Danaher	4.9%
TD Bank	4.8%
CCL Industries	4.7%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	28.1%
Financial Services	21.5%
Technology	13.5%
Healthcare	12.2%
Basic Materials	10.7%
Utilities & Pipelines	5.8%
Comm. & Media	4.1%
Retailing	4.1%

#### Geographic Profile (Stocks)



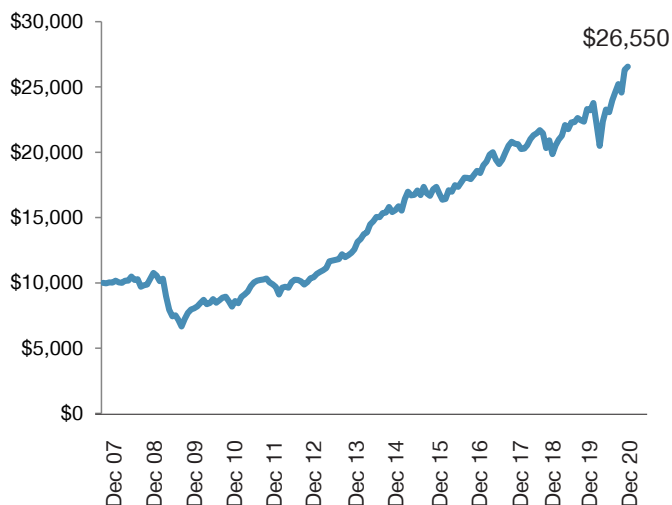
### Performance

#### Compound Annualized Returns (as of December 31, 2020)

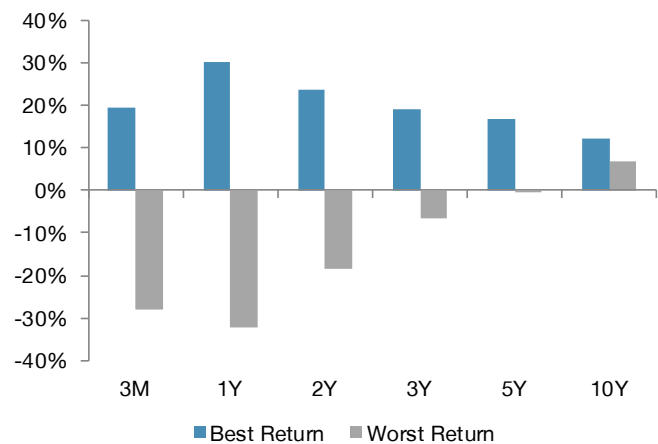
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep <sup>1</sup>
<b>Equity Fund (after-fee)</b>	<b>5.3%</b>	<b>14.4%</b>	<b>14.4%</b>	<b>15.7%</b>	<b>8.7%</b>	<b>9.6%</b>	<b>10.5%</b>	<b>7.3%</b>
S&P/TSX Composite Index	9.0%	5.6%	5.6%	13.9%	5.7%	9.3%	5.8%	5.2%
Morningstar Developed Mkts Index (\$Cdn)	9.4%	13.7%	13.7%	17.2%	10.8%	10.1%	12.6%	7.4%

<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 13.7% in Canadian dollar terms in 2020.
- The U.S. market (S&P 500 Index) was once again a leader, rising 18% (in U.S. dollars). Emerging markets were close behind while Europe and Japan also saw nice gains. The Canadian dollar fell against most major currencies, which boosted returns.

### Portfolio Specifics

- The fund holds 44 stocks, of which 17 are based in the U.S., 15 in Europe, 6 in the U.K., 4 in Asia, and 2 in Canada.
- The fund declined 1.1% in 2020 in what was a difficult year for the portfolio. Going into the year, much of the fund was invested in areas historically considered defensive – healthcare, financial services, consumer products and industrials. In the pandemic, however, these stocks proved less resilient. The fund was hit hard as investors questioned the survival of companies in a world where lockdowns forced plants to close and consumers’ wallets were constrained.
- Our manager, Velanne Asset Management, addressed the new reality with several changes. Some holdings were eliminated in the evolving economic environment while others were sold to make way for new opportunities. In total, 20 stocks were eliminated in the year and nine positions were initiated. The biggest reduction came in the oil & gas industry where a recovery has become more distant.
- The purchases, particularly in the aerospace sector, were well timed. HOWMET, SAFRAN, WOODWARD and FLUGHAFEN ZUERICH have all experienced sharp gains since their purchase. Velanne sold Woodward and trimmed Safran in the fourth quarter.
- Other businesses have also been more robust than investors expected. Asset managers BRIGHTSPHERE (+85%) and ARTISAN PARTNERS (+55%) were strong performers during the year. HEIWA REAL ESTATE and DISNEY, two of the largest holdings in the fund, rose more than 25%. And many stocks, including ZIMMER, KONECRANES and BERKSHIRE HATHAWAY have returned to pre-pandemic levels.
- The fund’s performance rebounded in the last third of the year on positive vaccine news. In the fourth quarter, for example, the fund far outpaced the market and its peers. This recent rebound hasn’t been enough to make up for the losses suffered earlier, but it gives us a sense of the portfolio’s potential in a post-COVID world.
- The fund currently has a cash position of 5%.

The fund was up 18.6% in the quarter. Since inception (Feb 2007), it has a cumulative return of 40%, which equates to an annualized return of 2.5%.

### Notable Transactions

#### Buy

Cerved Group  
Ibstock  
Attendo  
Grieg Seafood  
Johnson & Johnson

#### Trim/Sell

Woodward, Inc.<sup>1</sup>  
Medtronic<sup>1</sup>  
Safran  
Stericycle

<sup>1</sup>Position eliminated

### Positioning

- The portfolio is invested in quality companies that generate large amounts of cash flow but are facing temporary headwinds and are trading below their true value.
- The manager made significant changes during the first half of the year. The fund is positioned to capitalize in a more normal post-COVID economic environment.

Fund size	\$58,917,865
No. of stocks	44



## Global Equity Fund

### Attributes

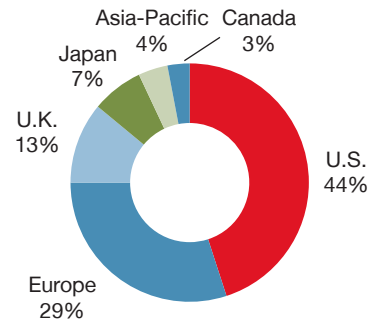
#### Top Stock Holdings

Walt Disney Company	4.6%
Heiwa Real Estate	4.5%
Zimmer Biomet	4.3%
Bayer	3.5%
Cerved Group	3.3%
Discovery, Inc.	3.2%
NCR	3.1%
Konecranes	3.1%
Howmet Aerospace	3.0%
Vistra Energy	3.0%

#### Sector Allocation (Stocks)

Financial Services	21.5%
Industrial Goods & Svc	19.2%
Healthcare	15.8%
Consumer Products	9.0%
Comm. & Media	8.4%
Oil & Gas	5.9%
Consumer Cyclical	4.8%
Real Estate	4.8%
Technology	3.3%
Utilities & Pipelines	3.2%
Basic Materials	2.2%
Retailing	1.9%

#### Geographic Profile (Stocks)



### Performance

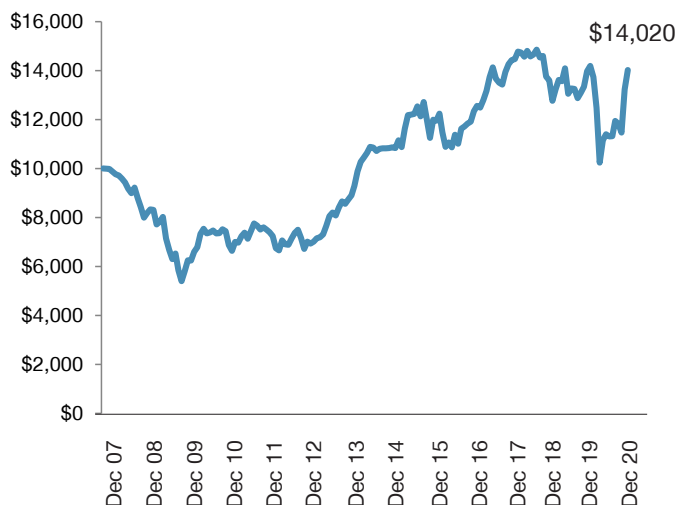
#### Compound Annualized Returns (as of December 31, 2020)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep <sup>1</sup>
<b>Global Equity Fund (after-fee)</b>	<b>18.6%</b>	<b>-1.1%</b>	<b>-1.1%</b>	<b>4.8%</b>	<b>-1.0%</b>	<b>2.8%</b>	<b>6.5%</b>	<b>2.5%</b>
Morningstar Developed Mkts Index (\$Cdn)*	9.4%	13.7%	13.7%	17.2%	10.8%	10.1%	12.6%	7.4%

\*The fund has declined 3.9% since September 30, 2018, which is Velanne's starting date as portfolio advisor. The index is up 25.2% 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) gained 12.9% in 2020. U.S. small-caps (Russell 2000 Index) rose 17.6% in Canadian dollar terms.
- Gold stocks were an area of strength, while oil & gas securities lagged considerably.

### Portfolio Specifics

- The fund consists of 25 companies, ranging from very small (WATERLOO BREWING) to medium-sized businesses (CARGOJET). While the majority of holdings are Canadian, there are three U.S. stocks which make up 11% of the portfolio.
- The fund had a positive year, rising 4.9%. Many holdings saw large declines early on as the spread of COVID-19 led to a shutdown of economies around the world. In the second half of the year, however, the fund saw a sharp rebound, with companies that have exposure to e-commerce and the work from home phenomenon benefiting in particular (e.g. CARGOJET, INTERTAPE POLYMER, SPIN MASTER). The portfolio lagged the index in 2020, however, due in part to its lower exposure to gold companies.
- When a vaccine with a high efficacy rate was developed and approved late in the year, economically-sensitive businesses saw a significant uptick. Stocks including INTERFOR (lumber producer), FINNING (Caterpillar dealer), POINTS INT'L (loyalty solutions for airlines and hotels), and FLUOR (engineering and construction services) had a stellar fourth quarter as investors gravitated towards companies poised to see a boost from a return to a more normal economic environment.
- AG GROWTH INTERNATIONAL (grain and fertilizer storage and handling) was the biggest detractor to performance, falling over 30%. The company's profitability declined in a challenging year but the manager, Galibier Capital, still likes the fundamentals and longer-term prospects for the business.
- Galibier has focused on maintaining a balance between growth and defensive companies over the last few years but has been looking closer at the latter of late, as illustrated by the new additions in 2020: BADGER DAYLIGHTING (hydrovac services), BOYD GROUP SERVICES (collision and auto glass repairs), TOREX GOLD RESOURCES (gold producer), and most recently, SAVARIA (makes accessibility products such as wheelchair lifts and home elevators).
- The fund's two small oil & gas-related holdings, CARDINAL ENERGY and PASON SYSTEMS, were eliminated in the fourth quarter. The manager is wary of the outlook for the energy sector and has no direct exposure to oil producers now.
- The fund currently has a cash position of 3%.

### Positioning

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

The fund was up 16.8% in the quarter. Since inception (Feb 2007), it has a cumulative return of 136%, which equates to an annualized return of 6.4%.

### Notable Transactions

#### Buy

Savaria\*  
SNC-Lavalin

\*New holding

#### Trim/Sell

Cardinal Energy<sup>1</sup>  
Pason Systems<sup>1</sup>  
Finning International  
Interfor

<sup>1</sup>Position eliminated

Fund size	\$46,770,987
No. of stocks	25



## Small-Cap Equity Fund

### Attributes

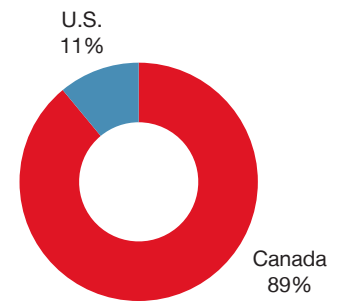
#### Top Stock Holdings

Northland Power	5.9%
Maple Leaf Foods	5.2%
Waterloo Brewing	5.0%
NFI Group	4.6%
Ag Growth International	4.6%
Badger Daylighting	4.5%
Spin Master	4.5%
Parkland	4.5%
SNC-Lavalin Group	4.5%
Oshkosh	4.3%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	49.4%
Consumer Cyclical	15.0%
Consumer Products	14.9%
Basic Materials	6.6%
Utilities & Pipelines	6.1%
Oil & Gas	4.6%
Healthcare	3.4%

#### Geographic Profile (Stocks)



### Performance

#### Compound Annualized Returns (as of December 31, 2020)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep <sup>1</sup>
<b>Small-Cap Equity Fund (after-fee)*</b>	<b>16.8%</b>	<b>4.9%</b>	<b>4.9%</b>	<b>11.8%</b>	<b>2.2%</b>	<b>7.7%</b>	<b>6.8%</b>	<b>6.4%</b>
S&P/TSX SmallCap Index	23.5%	12.9%	12.9%	14.3%	2.3%	8.8%	1.3%	2.2%
Russell 2000 Index (\$Cdn)	25.4%	17.6%	17.6%	18.5%	10.8%	11.4%	14.0%	8.8%

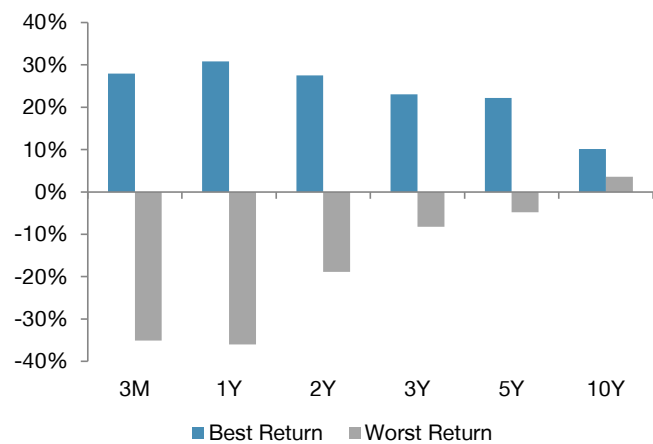
\*The fund has gained 34.3% since September 30, 2016, which is Galibier's starting date as portfolio advisor. The Canadian index is up 13.4% over the same period.

<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 13.7% in 2020 in Canadian dollar terms.
- In general, small-cap stocks didn't fare as well as large caps. Technology and precious metal companies led the way, while industrials and financials struggled.

### Portfolio Specifics

- The fund is managed by New York-based TimesSquare Capital Management, which specializes in small-cap investing. The portfolio is currently invested in 38 companies. Fifteen are based in the U.S., 11 in Europe, 5 in Japan, 3 in the U.K., 3 in Australia, and 1 in Asia.
- The fund had a positive year, gaining 7.6%. Japanese restaurant chain SUSHIRO GLOBAL (+80%), Mobile game producer ZYNGA (+60%), medical testing company CHARLES RIVER LABORATORIES (+55%), and Swedish streaming platform NORDIC ENTERTAINMENT (+50%) were among the best performers.
- That said, the fund didn't keep up with the market. Its aerospace holdings struggled as global travel ground to a halt. These companies were swapped out for new and existing holdings that had also done poorly in February-March, but showed long-term promise. Many of the holdings, like those mentioned earlier, have produced strong returns but didn't keep up with tech and precious metal stocks.
- Financial holdings make up a large part of the portfolio (21%) and were among the laggards. Stocks like RENAISSANCERE have been shunned by investors despite their potential. The company is a leading reinsurer for catastrophe insurance and investors are worried about its exposure to environmental risk (a record number of hurricanes hit the U.S. in 2020). Our manager, TimesSquare Capital, has a different perspective. It knows that RenaissanceRe can reprice its policies to more than account for the increased risk. Additionally, demand for catastrophe and business interruption insurance is rising because of climate change and COVID-19. Finally, the company is trading at the lowest valuation in its history despite having a strong track record.
- Technology stocks continue to be an important part of the fund. ZYNGA and NORDIC ENTERTAINMENT have benefited from the exalted status of tech & internet-related stocks. But the manager has steered clear of overhyped companies in what we've dubbed the 'non-profit sector'. Rather, TimesSquare focuses on profitable businesses. Holdings include GARTNER (consulting), HUYA (Chinese video game streaming) and TYLER TECHNOLOGIES (information management).
- The fund currently has a cash position of 10%.

The fund was up 11.5% in the quarter. Since inception (Feb 2019), it has a cumulative return of 29%, which equates to an annualized return of 14.5%.

### Notable Transactions

#### Buy

IPH Limited  
Orpea  
RenaissanceRe  
Electrocomponents plc

#### Trim/Sell

Bodycote<sup>1</sup>  
Topdanmark  
Sushiro Global  
Nordic Entertainment  
WEX

<sup>1</sup>Position eliminated

### 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.

Fund size	\$8,455,587
No. of stocks	38





## Global Small-Cap Equity Fund

### Attributes

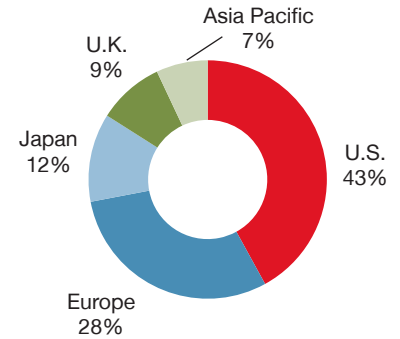
#### Top Stock Holdings

Teleperformance	4.5%
RenaissanceRe	4.3%
St. James's Place	4.2%
Zynga	3.9%
FinecoBank	3.8%
Sushiro Global	3.6%
Charles River Labs	3.6%
Encompass Health	3.1%
Electrocomponents	3.0%
National Vision	2.9%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	23.2%
Financial Services	21.2%
Healthcare	16.7%
Technology	15.5%
Consumer Cyclical	13.1%
Consumer Products	4.7%
Real Estate	3.1%
Oil & Gas	2.5%

#### Geographic Profile (Stocks)



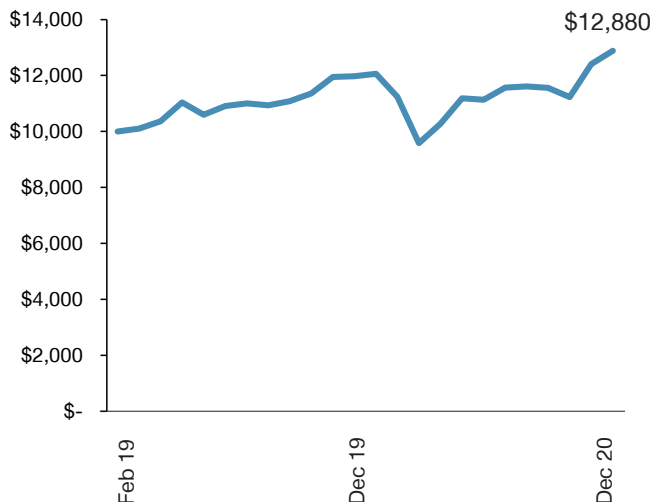
### Performance

#### Compound Annualized Returns (as of December 31, 2020)

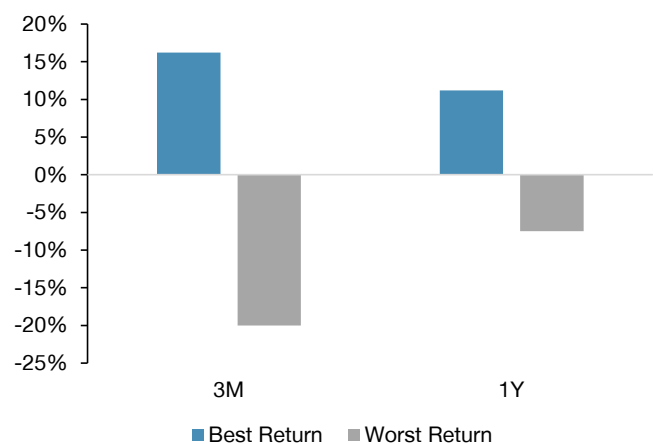
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep <sup>1</sup>
<b>Global Small-Cap Equity Fund (after-fee)</b>	<b>11.5%</b>	<b>7.6%</b>	<b>7.6%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>14.5%</b>
S&P Global SmallCap Index (\$Cdn)	17.4%	13.7%	13.7%	N/A	N/A	N/A	N/A	12.0%

<sup>1</sup>Feb 15, 2019

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



#### Best and Worst Annualized Returns



## Savings Fund

### Market Context

- The Bank of Canada lowered its key lending rate three times in 2020 for a cumulative easing of 1.5%. The rate now stands at 0.25%.
- The strong rebound in the Canadian and global economies has unfolded largely as the central bank had anticipated. The second wave of COVID-19, however, could set back the recovery. Indeed, record cases in many parts of Canada forced the re-imposition of restrictions in the fourth quarter.
- The Bank of Canada is committed to providing extraordinary monetary policy support to aid in our economic recovery and will hold rates at extremely low levels.

### Positioning

- The manager (Connor, Clark & Lunn) maintained its preference for corporate paper 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 December was 0.2%.

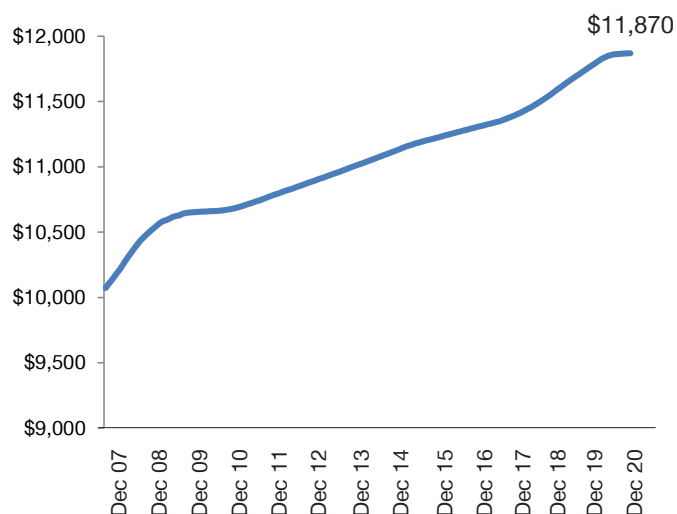
## Performance

### Compound Annualized Returns (as of December 31, 2020)

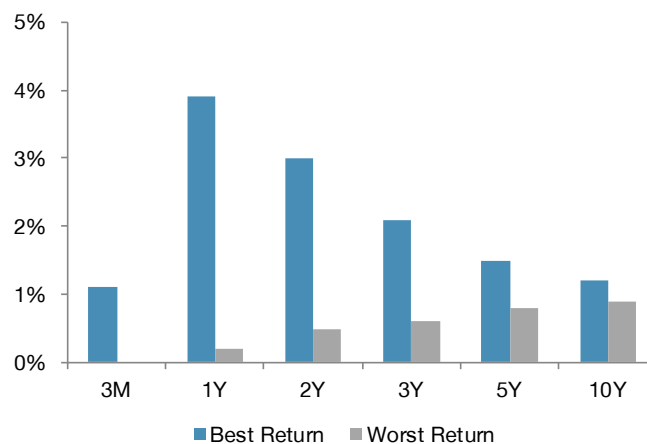
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
<b>Savings Fund (after-fee)</b>	<b>0.0%</b>	<b>0.8%</b>	<b>0.8%</b>	<b>1.3%</b>	<b>1.4%</b>	<b>1.1%</b>	<b>1.0%</b>	<b>1.2%</b>
FTSE Canada 91 Day T-Bill Index	0.0%	0.9%	0.9%	1.3%	1.3%	1.0%	1.0%	1.3%

\*Feb 13, 2007

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



### Best and Worst Annualized Returns



## Sustainable Steadyhand

### A framework for responsible investing

Clients look to Steadyhand for investment returns, plain and simple. We're continually looking at ways to aid in this and recently concluded that integrating an assessment of environmental, social and governance (ESG) issues into our investment process can do just that.

One of our investment managers introduced the idea to us some years ago. Company specific data on ESG issues was slowly becoming more accessible and was helping them make better decisions. Soon our other managers were echoing those remarks and introducing enhancements to their process.

If you've come to know us well, you'll appreciate that we aren't the type of firm to rely solely on someone else's word. So, to gain a complete understanding, we sought out fans and skeptics of the idea. We met with dozens of academics, corporate executives, consultants and investment managers across Canada, the U.S. and Europe. And we read thousands of pages on the topic.

We found what we were researching fell under the heading of 'responsible investing'. For some that conjures up images of funds that limit the types of businesses they invest in on the basis of personal values. However, that's just one approach to investing responsibly.

The largest subset of responsible investing funds doesn't force managers to exclude certain companies or industries at all. Instead, managers can invest in any company that could reasonably produce enough return to outweigh the risks if the impact of ESG issues is also considered in the analysis.

Today, all our managers embrace this approach, which is more commonly known as ESG integration. They started looking at ESG issues because they believed it would help provide a more complete picture of the investments they were considering. They've become responsible investors, sometimes unknowingly.

Over the last year, we've been formalizing our own views on this topic. We established a [framework](#) to guide us on what we're calling *Sustainable Steadyhand*. To us, being sustainable means helping our clients grow their wealth first and foremost. Investing responsibly helps achieve this goal.

We also concluded that being responsible goes beyond our investing activities. It involves having high standards for how we interact with our clients and peers. Acting responsibly also includes building a culture that attracts and retains the brightest minds. We find this lacking in much of the responsible investing discourse. For example, there is no shortage of responsible investing funds that charge irresponsible fees.

In coming weeks, you'll hear more from us on this topic through our blog. We will provide a primer on responsible investing, go deeper into our approach and provide examples to illustrate how our managers are committed to Sustainable Steadyhand.



# Steadyhand



## 2021 Client Presentation

Unfortunately, we won't be able to gather this year for our annual client event. But we're nonetheless excited to present a series of videos covering our views on the current investing environment and other related topics. Watch for an email later this month with links to our 2021 *Where to From Here?* videos.

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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