

# Steadyhand

15 YEARS

# Q1 2022

---

**We're 15!** Our five original funds marked their 15-year anniversary this quarter, and our Founders Fund turned 10. In his quarterly letter to investors (page 2), Tom Bradley reflects back on a decade and a half of managing money for the best clients in the country.



## Bradley's Brief



This quarter-end marks our 15<sup>th</sup> birthday. Neil and I cut the ribbon at 1747 West 3<sup>rd</sup> on April 10, 2007. A lot has changed since that glorious spring day and yet, much has stayed the same.

I'll start with the changes. When we opened our doors, few financial firms had a blog, let alone used it as a key communications tool. And delivering client statements on-line was just getting started.

Since then, the amount of assets needed to get an advisor has soared, robo-investing is now a thing, and the cost of investing has come down with low (or no) trading commissions and increased use of exchange-traded funds. More Canadians are doing it on their own, although many are speculating as opposed to investing.

When we started, the Canadian dollar was above par, and the prime rate was 6%. Both numbers declined in concert with dramatic changes to the world order. Countries are more heavily indebted today. China is now flexing its muscles while the U.S. has seemingly lost its way. Concerns about unemployment have shifted to a fear of labour shortages (despite the rapid digitization of the economy). ESG factors (environment; social; governance), which were not on the radar in 2007, have gained a foothold in the management of both corporations and portfolios. And markets are more prone to volatility, partly due to enormous amounts of borrowed capital driven by complex algorithms.

What hasn't changed? Well, we're still at 1747 (plus our Toronto office since 2009) and our team has grown around the original core of owners (excluding my wife and I, employees own 50% of the firm).

Investors still obsess about the Fed and overreact to news events. Fortunately, noise and volatility have little impact on long-term returns. On any chart, markets trend up and to the right.

As always, many fads came and went, each accompanied by a wave of FOMO. Investors were implored to buy index-linked notes, cannabis, SPACs, cryptocurrencies, oil and gold at various times, and ETFs using leverage, covered calls, and Cathy Wood.

In essence, investors faced many changes and challenges, but the key elements of investing remained the same, as did our core principles and investment philosophy. We remain:

- Long-term focused – we now have 15-year returns for most of our funds
- Aligned with our clients – 92% of our money is invested in the funds
- Transparent and jargon light in our communications
- Committed to fair fees with no commissions or additional charges
- Available to provide a steady hand when needed

The problems that we tried to solve in 2007 are still issues for Canadian investors. Too many portfolios are not linked to a goal. Reporting is far from transparent. Sales is rewarded over service. And while fees have come down, they remain frustratingly high in some areas, particularly where advice is involved. I'm proud to say we've fought the industry inertia and addressed these shortcomings, for 2,400 families at least. We have a remarkable group of clients who are interesting, engaged and sticking to their plan.

Going forward, Steadyhand will continue to adapt to the changing world but rest assured, we'll stick to a simple model that revolves around you, our clients. Next stop: 20 years



## Key Takeaways

### Stocks

- Geopolitical tensions and surging inflation weighed on stocks in the first quarter. U.S. and global markets entered correction territory (down 10%) before rebounding modestly late in the period. Emerging markets were also weak, with Russia falling significantly and China down nearly 15%.
- The Canadian market (S&P/TSX Composite Index) was a standout, gaining 3.8%. Its heavy exposure to energy and commodity stocks played a big role. These sectors saw strong gains as the price of oil, gas, base metals, and agricultural products soared.
- The loonie rose against the U.S. dollar (+1%), Euro (+3%), British Pound (+4%), and Japanese Yen (+7%), which dampened the returns of foreign stocks.

### Bonds

- The Canadian bond market (FTSE Canada Universe Bond Index) had a return of -7.0% in the quarter as bond yields surged (when yields rise, prices fall).
- The 10-year Government of Canada bond yield rose from 1.4% to 2.4%, a significant move. The Bank of Canada also announced its first interest rate hike since 2018, increasing its key lending rate from 0.25% to 0.50%.
- Real return and high yield bonds performed better, but also turned in negative results.

### Our Funds

- Our funds with Canadian exposure (Equity, Small-Cap, Income) held up well in a volatile quarter, while our two global funds were hit the hardest. Our balanced clients' portfolios were down approximately 5%. Over the past 10 years, our balanced returns were roughly 6% to 7% per year.
- The stock weighting in the Founders Fund was increased to 63%.
- In the context of our balanced portfolios, key transactions included the purchase of ZOETIS (U.S.), MICHELIN (France), and HUBBAY MINERALS (Canada); and the sale of VERISIGN (U.S.), DASSAULT SYSTÈMES (France), and ORPEA (France).

## Our Advice to Clients

We recommend your equity weighting be near your long-term target. In the Founders Fund, our stock weighting is 63% (modestly above its target). We feel valuations are reasonable following the recent market declines and a reduced amount of speculation. We continue to be wary of industries where fundamentals are being ignored, namely cannabis, cryptocurrencies and technology. Our outlook for bonds remains subdued, despite the recent uptick in yields. We recommend a below-average position, with cash as an alternative. In the Founders Fund, 9% of the portfolio is currently 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	3.8%	20.2%
World	-6.3%	8.2%

	3M	1Y
Bonds	-7.0%	-4.5%

### Fund Returns

	3M	1Y
Savings	0.1%	0.1%
Income	-4.7%	0.4%
Founders	-5.0%	1.9%
Builders	-6.3%	3.4%
Equity	-2.9%	14.2%
Global	-10.5%	-4.2%
Small-Cap	2.7%	4.8%
Global Small-Cap	-13.7%	-4.6%



## 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 manages the fund along with his Co-Chief Investment Officer Salman Ahmed. 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

- The fund brought its first decade to a close with a volatile quarter (-5.0%). Stock markets were generally weak and bonds provided little protection due to rising interest rates. Over the past 10 years, however, it's returned a solid 6.5% per year.
- Throughout 2021, we talked about trimming positions in the equity funds, leaning against the speculative wind if you will. This changed in 2022 with declines in the stock markets and a reduced degree of speculation. We used both flows into the fund and the cash reserve to add to stocks. This was primarily done by adding to the underlying funds that were hit hardest, namely the Global and Global Small-Cap Equity Funds.
- We also added to bonds, which was another area of market weakness. Founders has been under committed to bonds for a number of years and will remain so, but with yields now higher, the appeal of fixed income has improved relative to cash.
- As a result of the purchases, stocks make up 63% of the fund and bonds 28%. The cash reserve has decreased from 14% at year-end to 9% presently. The need for protection against rising rates has been reduced.
- Keep in mind that the Founders' asset mix is important (and we agonize over it), but returns are primarily driven by the performance of the underlying funds. Through these funds, the portfolio owns a mix of bonds and stocks across a wide range of industries, geographies, and currencies.
- Prominent transactions in the quarter (in the underlying funds) included the purchase of ZOETIS (U.S.), CNH INDUSTRIAL (U.K.), FMC (U.S.), MICHELIN (France), and HUBBAY MINERALS (Canada); and the sale of VERISIGN (U.S.), BANK OF AMERICA (U.S.), PHILIPS (Netherlands), DASSAULT SYSTÈMES (France), and ORPEA (France).

### Positioning

- There are many things to worry about these days, some of which are emotionally charged. We believe, however, that the overall market risk is lower precisely because the geopolitical and economic risks are in plain view and investors are less bullish (a good contrarian indicator). We own more stocks than we did a few months ago, and may add further, not because we know where the market is going, but because the trade-off between return and risk is more favorable.
- For more details on the underlying funds, please review pages 8-18.

The fund was down 5.0% in the quarter. Since inception (Feb 2012), it has a cumulative return of 89%, which equates to an annualized return of 6.5%.

#### Fund Mix

Income	38%
Equity	21%
Global	20%
Small-Cap	7%
Global Small-Cap	6%
Cash	8%



#### Asset Mix



Foreign Stocks	34%
Canadian Stocks	29%
Gov't Bonds	17%
Corporate Bonds	11%
Cash & Short-term	9%

Fund size \$611,528,341



## Founders Fund

### Attributes

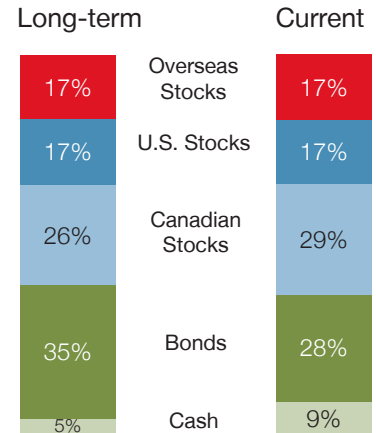
#### Top Stock Holdings (% of Fund)

Microsoft	1.8%
TD Bank	1.8%
Danaher	1.8%
CN Rail	1.6%
Franco-Nevada	1.4%
Visa	1.2%
Brookfield Renewable	1.1%
Thomson Reuters	1.1%
Nutrien	1.0%
Telus	1.0%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	27.9%
Financial Services	19.6%
Technology	10.6%
Healthcare	8.6%
Consumer Cyclical	7.4%
Basic Materials	5.4%
Comm. & Media	4.1%
Utilities & Pipelines	4.1%
Real Estate	3.9%
Consumer Products	3.8%
Retailing	2.4%
Oil & Gas	2.2%

#### Asset Mix



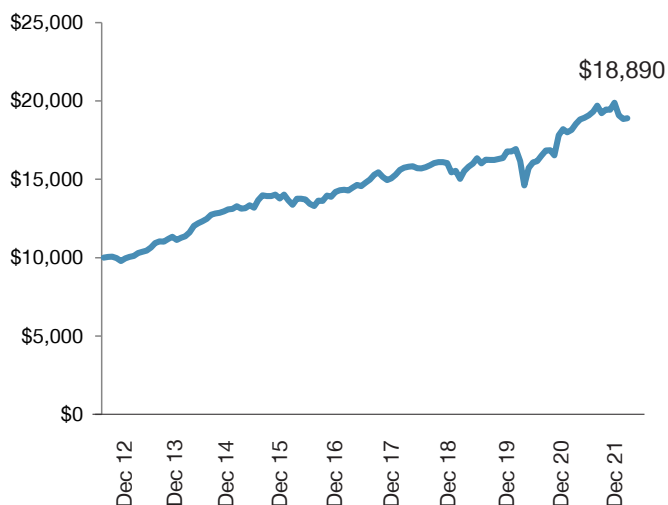
### Performance

#### Compound Annualized Returns (as of March 31, 2022)

	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep <sup>1</sup>
<b>Founders Fund (after-fee)</b>	<b>-5.0%</b>	<b>-5.0%</b>	<b>1.9%</b>	<b>5.7%</b>	<b>4.7%</b>	<b>6.5%</b>	<b>N/A</b>	<b>6.5%</b>
FTSE Canada Universe Bond Index	-7.0%	-7.0%	-4.5%	0.4%	1.6%	2.5%	N/A	2.5%
Morningstar Developed Mkts Index (\$Cdn)	-6.3%	-6.3%	8.2%	12.3%	11.1%	13.9%	N/A	13.9%
S&P/TSX Composite Index	3.8%	3.8%	20.2%	14.1%	10.3%	9.1%	N/A	9.0%

<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 Co-Chief Investment Officer Salman Ahmed, with Tom Bradley as co-manager.

The fund was down 6.3% in the quarter. Since inception (Feb 2019), it has a cumulative return of 25%, which equates to an annualized return of 7.3%.

### Portfolio Specifics

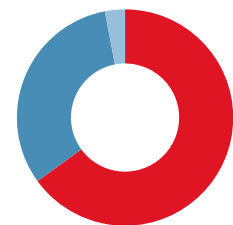
- The fund was impacted by declining stock markets in the first quarter. In particular, its global equity holdings struggled.
- Investments are allocated roughly 1/3 towards companies based in Canada and 2/3 towards foreign businesses. The bias to foreign companies reflects a much broader opportunity set outside of Canada, particularly in important industries like healthcare, technology, and consumer products and services.
- The largest sector weight, industrial goods & services (31% of the portfolio), includes a diverse mix of companies such as FANUC (factory automation), REGAL REXNORD (manufacturer of motors, bearings, and gearing), Ritchie Bros. AUCTIONEERS (heavy equipment auctioneer), and SAVARIA (home elevators and mobility products). Most stocks in the sector declined in the quarter despite having strong fundamentals.
- Financial services companies make up 16% of the fund. Large holdings are TD BANK, VISA, and BROOKFIELD ASSET MANAGEMENT. We also own a group of leading insurance companies, including RENAISSANCERe, TOPDANMARK and AIA GROUP. Performance in the sector was mixed, with TD holding steady, Visa advancing, and RenaissanceRe declining.
- The technology sector is another important area of investment, comprising 12%. Microsoft is the largest weight in the Builders Fund and is held in both the Equity and Global Equity Funds. Other holdings in the industry include SAMSUNG ELECTRONICS (diversified technology), QUALCOMM (chips), NEMETSCHEK GROUP (software for architects and engineers), and TOTVS (management software). Tech stocks had a rough quarter in general and our holdings were not spared.
- The portfolio has some exposure to commodity stocks, including FRANCO-NEVADA (gold), NUTRIEN (fertilizers), TOTALENERGIES (oil & gas producer), and HUBBAY MINERALS (copper and zinc miner), but resource companies are not a prominent feature of the fund due to their inherent cyclicity.

#### Fund Mix

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



#### Asset Mix



Foreign Stocks	61%
Canadian Stocks	36%
Cash & Short-term	3%

### Positioning

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

Fund size \$150,970,234



## Builders Fund

### Attributes

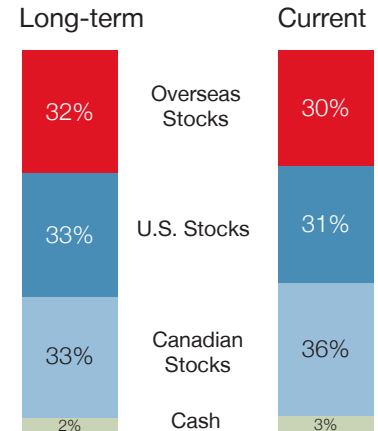
#### Top Stock Holdings (% of Fund)

Microsoft	3.2%
Danaher	3.1%
Franco-Nevada	2.4%
Visa	2.0%
TD Bank	2.0%
CN Rail	1.9%
Brookfield Renewable	1.8%
Sika	1.7%
CME Group	1.6%
Toromont Industries	1.5%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	31.2%
Financial Services	16.4%
Technology	11.7%
Healthcare	10.0%
Consumer Cyclical	8.8%
Basic Materials	6.0%
Consumer Products	4.1%
Comm. & Media	3.5%
Utilities & Pipelines	2.6%
Retailing	2.5%
Oil & Gas	2.2%
Real Estate	1.0%

#### Asset Mix



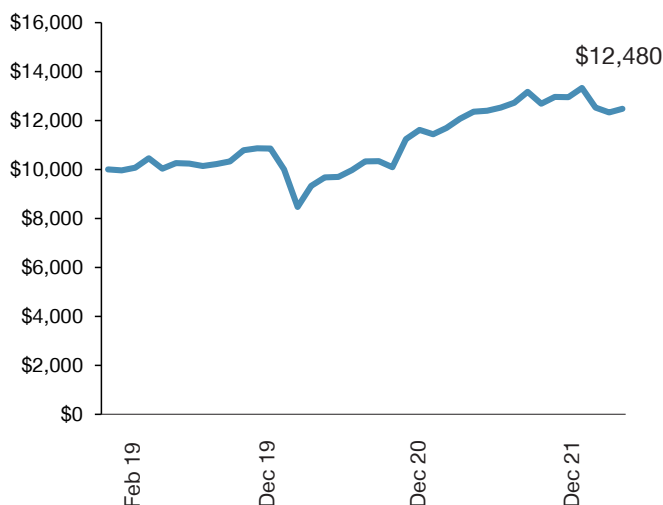
### Performance

#### Compound Annualized Returns (as of March 31, 2022)

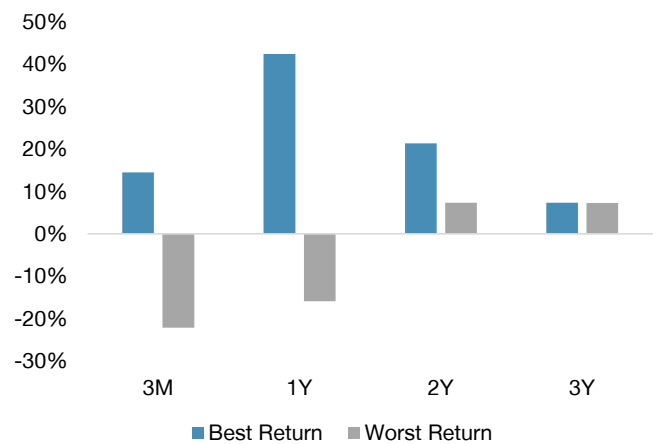
	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep <sup>1</sup>
<b>Builders Fund (after-fee)</b>	<b>-6.3%</b>	<b>-6.3%</b>	<b>3.4%</b>	<b>7.4%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>7.3%</b>
Morningstar Developed Mkts Index (\$Cdn)	-6.3%	-6.3%	8.2%	12.3%	N/A	N/A	N/A	12.9%
S&P/TSX Composite Index	3.8%	3.8%	20.2%	14.1%	N/A	N/A	N/A	14.8%

<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 fell 7.0% in the quarter (interest less capital depreciation).
- Bond yields rose sharply, with the 10-year Government of Canada bond yield climbing from 1.4% to 2.4%.
- Canadian stocks gained 3.8%. Energy and commodity stocks were areas of strength.

### Portfolio Specifics

- Bonds turned in their worst quarter in recent memory as both inflation and bond yields spiked (when yields rise, prices fall). The Bank of Canada and U.S. Federal Reserve raised their key short-term lending rates in March for the first time since 2018, and signaled more increases to come. The moves are being made to help combat surging inflation and pull back some of the stimulus that has helped prop up the economy throughout the pandemic. The overall rise in rates hurt the fund.
- Our fixed income investments fared modestly better than the market. Our manager, Connor, Clark & Lunn, had an interest rate strategy in place that benefited from a flattening yield curve (whereby the difference between short-term and long-term yields narrowed). Our holdings in real return bonds also added value. These securities pay a return that is adjusted for inflation.
- Corporate bonds have long been an important part of the fund, and remain so (roughly 30% of the portfolio). CC&L has become more defensive in its security selection recently, favouring companies with strong balance sheets in the insurance, banking, and REIT sectors. Exposure to the infrastructure industry was reduced.
- High yield bonds make up 5% of the fund. These securities were down in the quarter, but performed better than government bonds. Focus remains on higher quality issuers, such as ENBRIDGE, FIRST CAPITAL REALTY, SPRINT, and FORD.
- The equity portion of the portfolio (26%) generated a positive return, driven by our holdings in energy (ARC RESOURCES), banks (BMO), materials (NUTRIEN), and transportation (CN RAIL). By contrast, real estate securities were weak.
- Stock holdings are focused on companies with stable growth characteristics, pricing power, and resilient margins. Financials, REITs, and industrials remain key areas of interest. Additionally, we like the outlook for renewable energy, where investments include BROOKFIELD RENEWABLE PARTNERS, NORTHLAND POWER, and BORALEX.
- The fund paid a distribution of \$0.045/unit at the end of March.

### Positioning

- Our manager believes global growth is set to slow as a result of inflation and supply issues. Accordingly, our focus is on companies with strong balance sheets.
- Stocks make up 26% of the fund and remain an important source of diversification and yield. Our current bias is towards high-quality large cap stocks.

The fund was down 4.7% in the quarter. Since inception (Feb 2007), it has a cumulative return of 109%, which equates to an annualized return of 5.0%.

### Notable Stock Transactions

#### Buy

Tourmaline Oil\*  
Finning International\*  
Maple Leaf Foods\*  
First Capital REIT\*  
ARC Resources

\*New holding

#### Trim/Sell

Parkland Corporation<sup>1</sup>  
IGM Financial Inc.<sup>1</sup>  
DRI Healthcare Trust<sup>1</sup>  
Magna International

<sup>1</sup>Position eliminated

Fund size	\$86,141,521
Pre-fee Yield	3.1%
Avg Term to Matur.	10.2 yrs
Duration (Bonds)	7.7 yrs





## Income Fund

### Attributes

#### Top Holdings (% of Fund)

Canada 0.25% (Apr/24)	5.6%
CC&L High Yield Bond Fd	5.0%
Ontario 2.60% (Jun/27)	3.9%
Ontario 2.15% (Jun/31)	3.8%
Canada 1.50% (May/24)	2.6%
Canada 4.00% (Jun/41)	2.1%
Royal Bank	2.0%
TD Bank	1.9%
Canada 1.50% (Jun/31)	1.8%
Ontario 4.70% (Jun/37)	1.8%

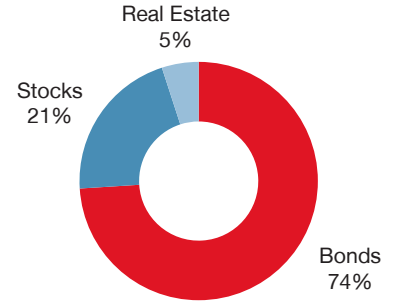
#### Issuer Allocation (Bonds)

Federal Government	23%
Provincial Government	38%
Corporate	39%

#### Rating Summary (Bonds)

AAA	30%
AA	34%
A	11%
BBB	22%
BB (or lower)	4%

#### Asset Mix



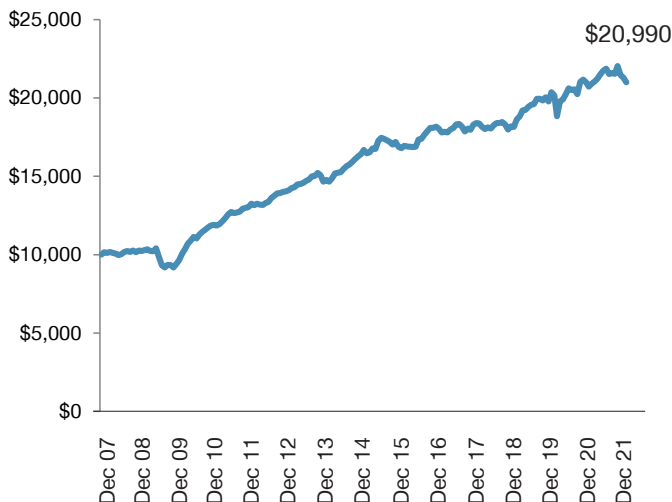
### Performance

#### Compound Annualized Returns (as of March 31, 2022)

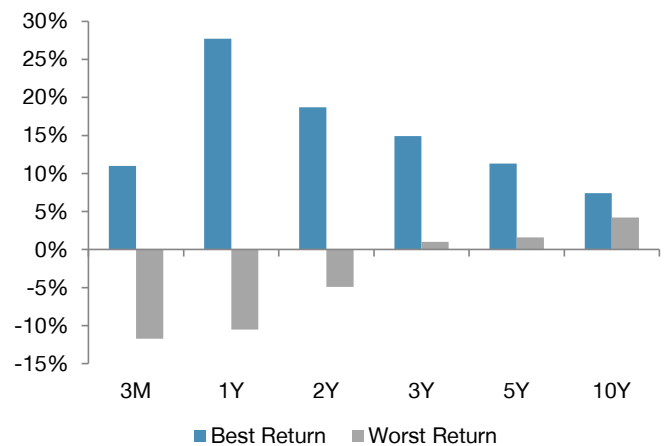
	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep*
<b>Income Fund (after-fee)</b>	<b>-4.7%</b>	<b>-4.7%</b>	<b>0.4%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>4.2%</b>	<b>5.0%</b>	<b>5.0%</b>
FTSE Canada Universe Bond Index	-7.0%	-7.0%	-4.5%	0.4%	1.6%	2.5%	3.7%	3.8%
S&P/TSX Composite Index	3.8%	3.8%	20.2%	14.1%	10.3%	9.1%	6.5%	6.6%

\*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 3.8% in the first quarter. The energy and commodity sectors were key areas of strength.
- Global stocks, as measured by the Morningstar Developed Markets Index, declined 6.3% in Canadian dollar terms.

### Portfolio Specifics

- The fund holds 24 stocks, of which 12 are headquartered in Canada, 7 in the U.S., and 5 overseas.
- The portfolio was steady in a volatile quarter, especially considering it doesn't own any oil & gas stocks (the sector gained nearly 30%). Our Canadian investments (53% of the fund) hung in well, with fertilizer producer NUTRIEN being a standout, up 35%. The issue of food security gained prominence in the wake of the situation in Russia and Ukraine (both are large exporters of wheat and corn), and agriculture-related stocks got a boost. FRANCO-NEVADA (gold), METRO (grocery retailer), BROOKFIELD RENEWABLE PARTNERS (renewable power), and CN RAIL also did well.
- Overseas stocks had more of a challenging period. SIKA (specialty chemicals), KEYENCE (automation sensors), and EXPERIAN (credit reporting services) were down roughly 20%. Our manager, Fiera Capital, viewed the price declines as an opportunity to add to our holdings in three first-rate companies.
- Our U.S. investments were mixed. CBRE (commercial real estate services), S&P GLOBAL (financial information and analytics), and DANAHER (science and technology innovator) were down more than 10%. VISA (payment services) and CME GROUP (derivatives marketplace), on the other hand, were up modestly.
- As is often the case, volatility leads to opportunity, and Fiera bought two new companies in the quarter. ZOETIS is the world's largest producer of medicine and vaccinations for pets and livestock. Fiera likes the business because pet ownership has increased steadily over the past several years, and the company is innovative in bringing new products to market. CNH INDUSTRIAL makes agriculture and construction equipment. The company has been a steady grower, has a strong order book, and is well positioned to benefit from a shift towards precision agriculture (farming that uses more technological innovations).
- VERISIGN (internet infrastructure) and KONINKLIJKE PHILIPS (health technology) were sold to pursue better opportunities.

### Positioning

- The fund is comprised of a concentrated group of businesses operating in a diverse array of industries, from information services to renewable energy to packaging to software. The manager's focus is on best-in-class companies that generate strong cash flows, have good growth prospects, and are well financed.

The fund was down 2.9% in the quarter. Since inception (Feb 2007), it has a cumulative return of 203%, which equates to an annualized return of 7.6%.

### Notable Transactions

#### Buy

Zoetis\*  
 CNH Industrial\*  
 Sika  
 Experian  
 Keyence

\*New holding

#### Trim/Sell

Verisign<sup>1</sup>  
 Koninklijke Philips<sup>1</sup>  
 Nutrien  
 Franco-Nevada

<sup>1</sup>Position eliminated

Fund size	\$110,120,068
No. of stocks	24



## Equity Fund

### Attributes

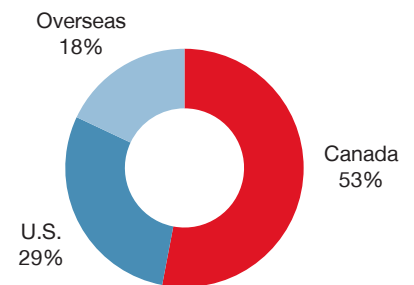
#### Top Stock Holdings

Franco-Nevada	6.6%
Visa	5.8%
TD Bank	5.5%
CN Rail	5.3%
Danaher	5.1%
Brookfield Renewable	5.1%
Sika	4.8%
Microsoft	4.7%
CME Group	4.6%
Toromont Industries	4.3%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	30.6%
Financial Services	26.9%
Basic Materials	10.5%
Technology	9.0%
Healthcare	8.0%
Utilities & Pipelines	5.1%
Comm. & Media	4.1%
Retailing	3.8%
Real Estate	2.0%

#### Geographic Profile (Stocks)



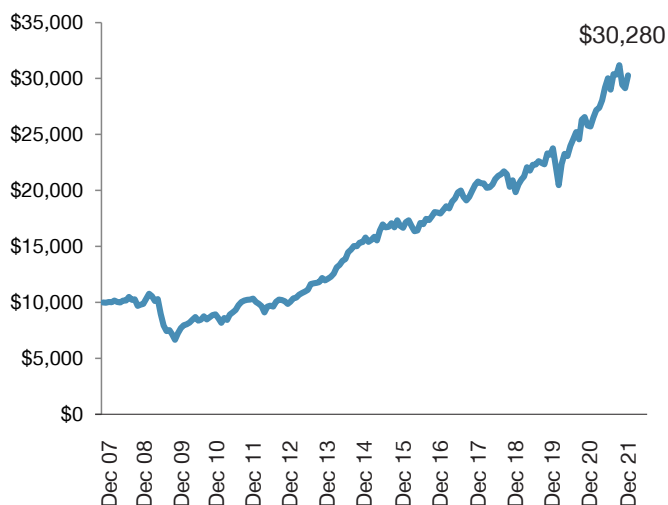
### Performance

#### Compound Annualized Returns (as of March 31, 2022)

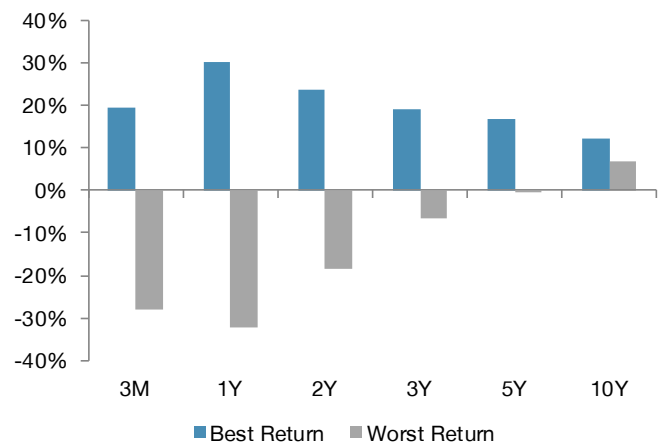
	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep <sup>1</sup>
<b>Equity Fund (after-fee)</b>	<b>-2.9%</b>	<b>-2.9%</b>	<b>14.2%</b>	<b>12.5%</b>	<b>9.4%</b>	<b>11.5%</b>	<b>7.6%</b>	<b>7.6%</b>
S&P/TSX Composite Index	3.8%	3.8%	20.2%	14.1%	10.3%	9.1%	6.5%	6.6%
Morningstar Developed Mkts Index (\$Cdn)	-6.3%	-6.3%	8.2%	12.3%	11.1%	13.9%	8.1%	8.1%

<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 down 6.3% (in Canadian dollars) in the quarter. Tech stocks were particularly weak.
- The Canadian dollar rose against most currencies, including the U.S. dollar (+1%), Euro (+3%), British Pound (+4%), and Japanese Yen (+7%), which dampened the returns of foreign stocks.

### Portfolio Specifics

- The fund owns 48 stocks, of which 20 are domiciled in the U.S., 10 in Europe, 9 in Japan, 3 in Asia Pacific, 3 in the U.K., and 3 in Canada. Companies range in size from mega-cap MICROSOFT to small-cap FIRSTCASH HOLDINGS.
- Stocks saw some extreme moves in Q1 as investors digested a surge in inflation and the troubling geopolitical events in Ukraine. This led to more activity in the portfolio than usual. Five companies were sold, while four were purchased.
- Our European investments struggled. This was due to weak sentiment rather than poor fundamentals. HEINEKEN (Dutch brewer) and ERSTE GROUP (Austrian financial services provider) were penalized as they have a portion of their sales in eastern Europe, albeit modest. RATIONAL (German high-end oven manufacturer), NEMETSCHKE (German vendor of software for architects), and LVMH (French maker of luxury goods) also saw their stock prices fall.
- Technology stocks in particular had a weak quarter — notably ADOBE, QUALCOMM, MICROCHIP TECHNOLOGY, and PAYPAL — as the sector was out-of-favour.
- There were some positive moves to highlight, including CAMECO (Canadian uranium provider), MITSUBISHI UFJ (Japanese financial services), and GENERAL DYNAMICS (aerospace and defense manufacturer). These stocks all saw double-digit gains, with Cameco up 33%. Putin's aggression will prompt many countries to wean off Russian oil & gas and seek other sources of energy, including nuclear. Cameco is well managed and produces some of the highest grade uranium in the world.
- A diverse group of new companies were purchased: BROOKFIELD ASSET MANAGEMENT (Canadian alternative investment manager), MICHELIN (French tire manufacturer), FMC (producer of insecticides, herbicides, and crop protection products), and DOLBY LABORATORIES (audio technologies).
- DASSAULT SYSTÈMES, AXALTA COATING SYSTEMS, BANK OF AMERICA, CHUBB, and WALGREENS BOOTS ALLIANCE were sold. The latter was due to poor execution while the other sales were for valuation reasons and to raise capital for the new purchases.

### Positioning

- Our manager, Aristotle Capital, looks for quality businesses with competitive advantages, pricing power, and proven executives. They then use a private equity approach to valuing the company, as if they were buying the entire business.

The fund was down 10.5% in the quarter. Since inception (Feb 2007), it has a cumulative return of 42%, which equates to an annualized return of 2.3%.

### Notable Transactions

#### Buy

Brookfield Asset Mgmt.\*  
 Michelin\*  
 FMC\*  
 Dolby Laboratories\*  
 Lennar

\*New holding

#### Trim/Sell

Dassault Systèmes<sup>1</sup>  
 Axalta Coating Systems<sup>1</sup>  
 Bank of America<sup>1</sup>  
 Chubb<sup>1</sup>  
 Walgreens Boots Alliance<sup>1</sup>

<sup>1</sup>Position eliminated

Fund size	\$54,272,620
No. of stocks	48



## Global Equity Fund

### Attributes

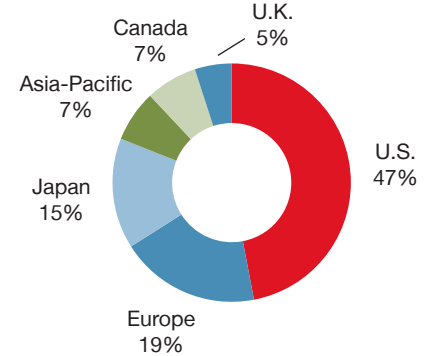
#### Top Stock Holdings

Microsoft	4.3%
Danaher	3.6%
Sony Group	3.1%
Microchip Technology	3.0%
Martin Marietta	2.9%
Lennar	2.9%
Samsung Electronics	2.8%
Adobe	2.6%
FMC	2.5%
Nemetschek	2.5%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	25.1%
Technology	21.3%
Healthcare	14.3%
Consumer Cyclical	13.3%
Financial Services	10.4%
Consumer Products	5.2%
Comm. & Media	3.4%
Basic Materials	2.5%
Oil & Gas	2.3%
Retailing	2.2%

#### Geographic Profile (Stocks)



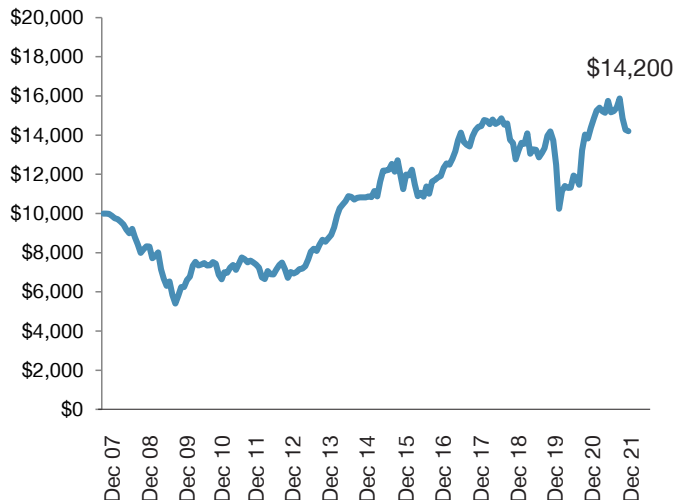
### Performance

#### Compound Annualized Returns (as of March 31, 2022)

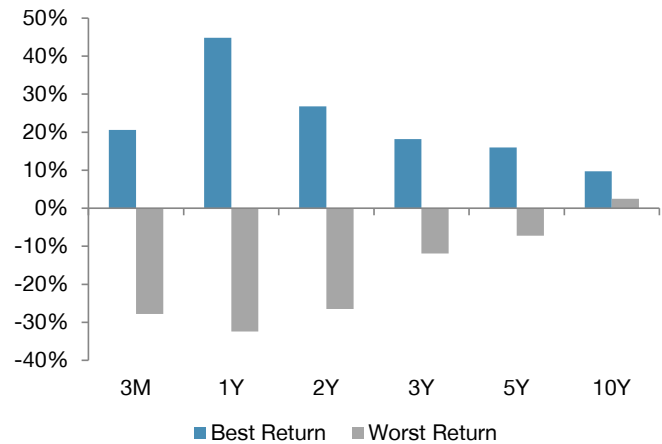
	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep <sup>1</sup>
<b>Global Equity Fund (after-fee)</b>	<b>-10.5%</b>	<b>-10.5%</b>	<b>-4.2%</b>	<b>1.6%</b>	<b>1.5%</b>	<b>6.6%</b>	<b>2.4%</b>	<b>2.3%</b>
Morningstar Developed Mkts Index (\$Cdn)*	-6.3%	-6.3%	8.2%	12.3%	11.1%	13.9%	8.1%	8.1%

<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 8.4% in the quarter. U.S. small-caps (Russell 2000 Index) fell 8.9% in Canadian dollar terms.
- Oil & gas and mining stocks drove much of the index's gain.

### Portfolio Specifics

- The fund consists of 27 companies, ranging from very small (WATERLOO BREWING) to medium-sized businesses (NORTHLAND POWER). While the majority of holdings are Canadian, there are three U.S. stocks which make up 12% of the portfolio.
- The fund had a positive quarter (+2.7%) despite owning only 18% in energy and materials-related companies. Commodity stocks have been exceptionally strong this year as the price of oil, gas, and base metals has surged. For context, the two resource sectors make up 50% of the Canadian small-cap market. These stocks are inherently volatile as their fortunes are tied closely to commodity prices, which in turn are highly unpredictable. As such, our exposure to resources is more measured.
- Our commodity investments include MEG ENERGY, TOREX GOLD RESOURCES, AG GROWTH INTERNATIONAL, ATHABASCA OIL (new), and HUSBAY MINERALS (new). Oil producer MEG had a standout quarter, rising nearly 50%, and grain handling and storage manufacturer Ag Growth gained 35% on the back of strong expected demand as agricultural commodity prices soar. Gold miner Torex was up 20%. All three stocks were trimmed based on their strong performance.
- The gains in the resource sector extended to companies that service commodity businesses. For example, engineering firm FLUOR (+15%) counts energy companies as important clients. FINNING, the world's largest Caterpillar dealer, sells equipment to oil & gas companies, among others, and saw its stock price rise nearly 20%.
- PARK LAWN, SLEEP COUNTRY CANADA, and PREMIUM BRANDS HOLDINGS were the primary detractors to performance. The funeral home operator, mattress seller, and food distributor have little in common other than they saw major gains last year. NFI GROUP (manufacturer of buses and coaches) and BOYD GROUP SERVICES (collision repair) were also down.
- Two new stocks were added to the portfolio. Athabasca Oil was purchased early in the year. It operates in the oil sands and has seen its stock price increase close to 80% in 2022. We have only a modest position in the company, as its price surged shortly after we started buying the stock. Husbay Minerals mines copper, an important component in EV batteries and electric motors.

### Positioning

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

The fund was up 2.7% in the quarter. Since inception (Feb 2007), it has a cumulative return of 178%, which equates to an annualized return of 7.0%.

### Notable Transactions

#### Buy

Husbay Minerals\*  
Athabasca Oil\*  
Sleep Country Canada  
Hammond Power Solutions

\*New holding

#### Trim/Sell

MEG Energy  
Ag Growth International  
Torex Gold Resources  
Fluor

Fund size	\$49,620,578
No. of stocks	27



## Small-Cap Equity Fund

### Attributes

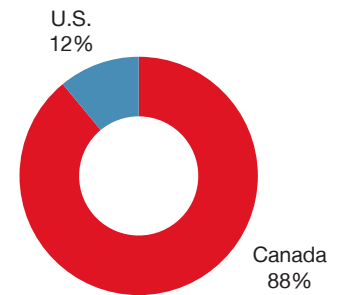
#### Top Stock Holdings

Spin Master	4.9%
Maple Leaf Foods	4.9%
Northland Power	4.8%
SNC-Lavalin Group	4.8%
MEG Energy	4.7%
Park Lawn	4.6%
Ag Growth International	4.6%
Torex Gold Resources	4.6%
Henry Schein	4.5%
Fluor	4.4%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	45.8%
Consumer Cyclical	15.2%
Consumer Products	12.1%
Oil & Gas	8.9%
Basic Materials	8.6%
Utilities & Pipelines	4.8%
Healthcare	4.6%

#### Geographic Profile (Stocks)



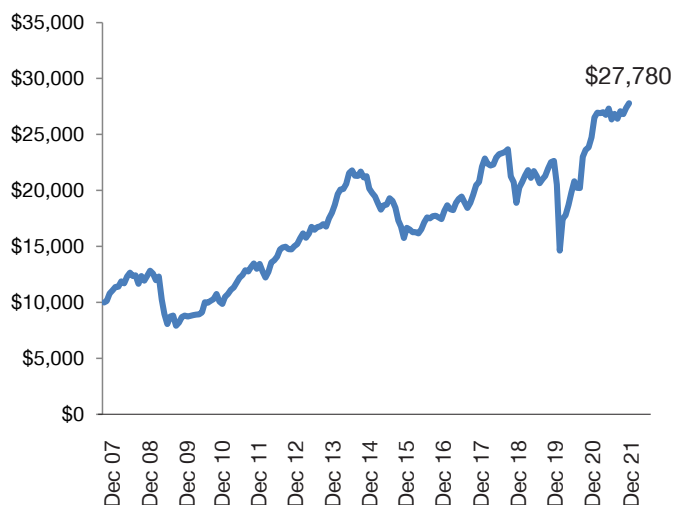
### Performance

#### Compound Annualized Returns (as of March 31, 2022)

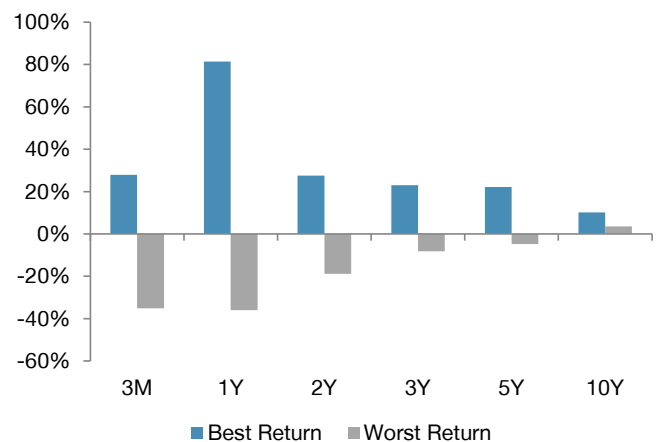
	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep <sup>1</sup>
<b>Small-Cap Equity Fund (after-fee)*</b>	<b>2.7%</b>	<b>2.7%</b>	<b>4.8%</b>	<b>9.2%</b>	<b>8.0%</b>	<b>6.4%</b>	<b>6.5%</b>	<b>7.0%</b>
S&P/TSX SmallCap Index	8.4%	8.4%	18.8%	15.5%	7.2%	5.3%	3.6%	3.8%
Russell 2000 Index (\$Cdn)	-8.9%	-8.9%	-6.4%	9.3%	8.4%	13.6%	8.6%	8.7%

<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) declined 7.7% in the first quarter in Canadian dollar terms.
- The technology, healthcare, and consumer discretionary sectors saw double-digit declines, while energy and mining stocks were an area of strength.

### Portfolio Specifics

- The portfolio is currently invested in 42 companies. Seventeen are based in the U.S., 11 in Europe, 8 in the U.K., 3 in Japan, 2 in Australia, and 1 in Brazil.
- The fund had a challenging quarter. Oil & gas and mining stocks were among the few areas that performed well in the period as commodity prices soared. These companies have little control over the price of their product — an important criteria for our manager — and tend to make up a small part of the fund overall.
- Areas of more significant investment faced headwinds, including companies in the industrial (31% of the portfolio), consumer cyclical (13%), healthcare (11%), and technology (8%) sectors. Industrial and consumer stocks declined as the rise in commodity prices raised the input costs of many of these businesses. Technology stocks gave back some returns after a meteoric rise over the last two years.
- Industrial goods and services comprise the largest weight in the portfolio. The industry is varied in its makeup. Holdings include EMCOR (mechanical and electrical construction services), VALMET (pulp and paper automation), REGAL REXNORD (manufacturer of motors, bearings, and gearing), and KION GROUP (forklifts and warehouse automation equipment).
- French assisted living provider ORPEA was sold. The company faces allegations of fraud, though unproven, which has created uncertainty around its outlook. Our manager, TimesSquare Capital, felt it was appropriate to move on from the stock. FOOD & LIFE COMPANIES (Japanese sushi chain) and PROSEGUR COMPANIA DE SEGURIDAD (multinational security company) were also sold based on weaker outlooks. Proceeds were used to add GRAFTON GROUP to the portfolio, a U.K.-based builders supply business (and the largest home and garden retailer in Ireland). Several existing holdings were also topped up.
- TimesSquare has found an increasing number of ideas in the U.K. over the last 12 months. The weight in the region reached 19% of the fund at the end of the quarter (up from 12% a year ago). Holdings include home repair service provider HOME SERVE, investment firm ST. JAMES'S PLACE, on-line auto marketplace AUTO TRADER, and telecom testing company SPIRENT COMMUNICATIONS.

The fund was down 13.7% in the quarter. Since inception (Feb 2019), it has a cumulative return of 24%, which equates to an annualized return of 7.3%.

### Notable Transactions

#### Buy

Grafton Group\*  
Kion Group  
Kadokawa  
Auto Trader Group  
\*New holding

#### Trim/Sell

Orpea<sup>1</sup>  
Food & Life Companies<sup>1</sup>  
Prosegur Compania de Seguridad<sup>1</sup>  
Nordic Entertainment  
Kobe Bussan

<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	\$10,893,890
No. of stocks	42



## Global Small-Cap Equity Fund

### Attributes

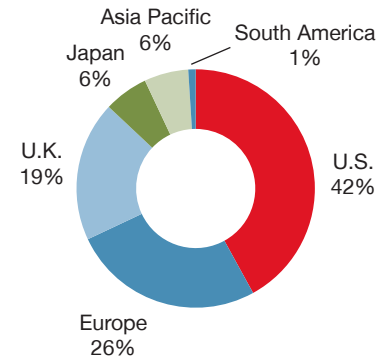
#### Top Stock Holdings

Nordnet	3.8%
Kadokawa Corporation	3.6%
RenaissanceRe	3.6%
Steadfast Group	3.5%
First Advantage	3.4%
National Vision	3.1%
Valmet	3.0%
PJT Partners	2.9%
St. James's Place	2.9%
Brunswick Corporation	2.9%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	31.2%
Financial Services	22.3%
Consumer Cyclical	13.0%
Healthcare	10.9%
Technology	8.3%
Comm. & Media	6.2%
Consumer Products	3.3%
Retailing	2.7%
Real Estate	2.1%

#### Geographic Profile (Stocks)



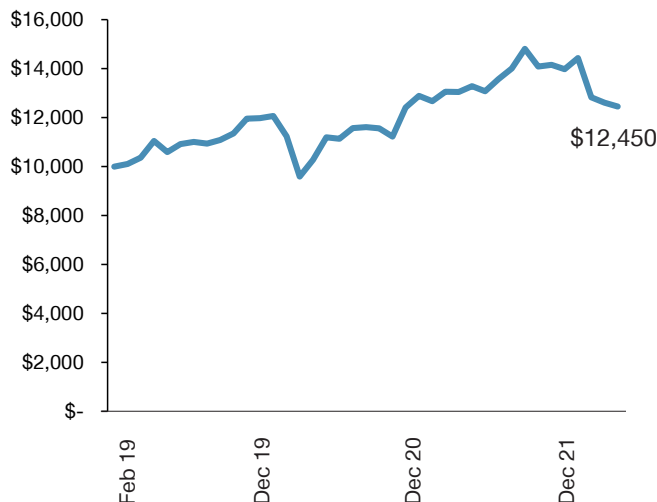
### Performance

#### Compound Annualized Returns (as of March 31, 2022)

	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep <sup>1</sup>
<b>Global Small-Cap Equity Fund (after-fee)</b>	<b>-13.7%</b>	<b>-13.7%</b>	<b>-4.6%</b>	<b>6.3%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>7.3%</b>
S&P Global SmallCap Index (\$Cdn)	-7.7%	-7.7%	-1.6%	8.5%	N/A	N/A	N/A	8.8%

<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 raised its key lending rate in March for the first time since 2018, from 0.25% to 0.50%. The U.S. Federal Reserve also increased its target rate. Both central banks suggested several more hikes are to come by the end of the year.
- The rate increases, which were widely telegraphed, were implemented to help combat surging inflation (which is currently above 5% in Canada) and pull back some of the stimulus that has helped prop up the economy throughout the pandemic.
- The Bank of Canada is firm in its goal of bringing inflation back down to its 2% target, yet acknowledges that inflation is expected to be higher in the near term as a result of supply chain bottlenecks and the invasion of Ukraine, which is putting upward pressure on oil, gas, and food-related commodities.

### Positioning

- Corporate paper makes up 57% of the portfolio, while T-Bills comprise 43%.
- The duration of the fund was increased slightly to take advantage of higher yields.
- The pre-fee yield of the fund at the end of March was 0.8%.

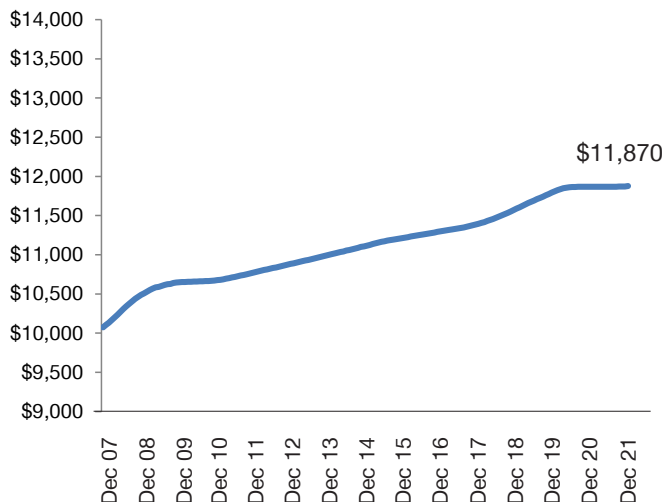
## Performance

### Compound Annualized Returns (as of March 31, 2022)

	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep*
<b>Savings Fund (after-fee)</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.7%</b>	<b>1.0%</b>	<b>0.9%</b>	<b>1.1%</b>	<b>1.1%</b>
FTSE Canada 91 Day T-Bill Index	0.1%	0.1%	0.3%	0.8%	0.9%	0.9%	1.2%	1.2%

\*Feb 13, 2007

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



### Best and Worst Annualized Returns



## Capital markets have been doing a lot of normalizing lately. Let me explain Special to the National Post, by Tom Bradley, April 2, 2022

Things are getting back to normal as the pandemic abates. We're traveling again, dining out and socializing in person. Some things are different from the pre-COVID-19 world, but we have a good idea of what normal is going to look like.

Investors, on the other hand, have a slanted view of normal. When markets are rising, stock picks are working out and returns are good, it's normal. When prices fall, people ask what's wrong with the stock market, even if it's down from great heights and still above its long-term trend line.

It's an asymmetric view. Up is normal, no matter how high. Down is abnormal, regardless of the starting point.

I make this observation because the capital markets have been doing a lot of normalizing lately. We're going through a meaningful return to trend. Here are three areas where price moves are garnering headlines, but may just be a return to normal.

### Interest rates

It's not obvious what normal is for interest rates. Fixed-income markets have been on a bull run for 40 years, with rates dropping from the high teens to almost zero (remember, bond prices rise when yields fall). But things have lately been quite different. Rates are rising and exchange-traded funds (ETFs) that track the bond market are down 8% year to date, extending a pattern that started last year.

Is this an aberration or a return to normal? The answer lies in the two components of a bond yield: the expected rate of inflation and the real return. For most of the bond market's history, yields have been above inflation, leading to positive real yields, but central bankers' obsession with economic growth and full employment has changed that in recent years. Yields were running below the consumer price index (CPI), even before inflation spiked.

A negative real yield means investor capital buys fewer goods when the bond matures. An investment guaranteed to leave the holder worse off is not sustainable, which suggests the normalization process has further to go. To achieve positive real yields, we'll need to see higher yields, lower inflation or a combination of the two.

### Non-profits

Stock prices are inextricably linked to corporate profits. Prices fluctuate far more than profits, but over time they reflect the

success of the underlying companies.

A feature of this bull market, however, has been the enthusiasm investors have had for funding fast-growing companies that have the potential to be profitable, but are currently losing gobs of money. The non-profit sector reached dizzying heights last year despite persistent losses.

More recently, stocks of these growth companies have plummeted. For example, DoorDash, Tilray, and Peloton are down between 50% and 80% from their highs. Holders might think the stock market has lost its mind, but an alternative explanation is that buyers are now putting a more reasonable valuation on what is still a highly uncertain future.

Like any business, these companies need to turn their promise into profits. Not until then will we know what normal really is.

### Resources

It's harder to call the dramatic rise in commodity prices a normalization. Prices for some things have skyrocketed because of supply chain issues and the war in Ukraine. But a good portion of the recovery in commodities and resource stocks has just been a bounce back from a starting point that was anything but normal.

Prices were depressed and there wasn't enough capital being invested to maintain production, let alone increase it. Oil was being written off for dead even though the world was consuming 100 million barrels a day. Copper prices were in the doldrums despite the metal having an important role to play in the economy's digitization and electrification.

These commodities are highly cyclical, but it could be argued that their prices are much closer to normal than they were two years ago.

There's no right answer as to what normal is, as this column makes clear, but we know it's not stocks trading at 50 times sales, oil being spurned and investors ending up worse off from owning a bond.

Markets always overreact, so having a sense of what normal is now, or at least probing the question, can uncover wonderful opportunities and prevent big mistakes. Think about that before you celebrate your brilliance in good markets, or yell at your screen and call the market crazy when stocks are going down.

# Steadyhand



## Steadyhand tax documents

It's tax time. And your blood pressure probably went up just reading this. But relax, no need to scramble. We've got you covered with a review of the documents you've received from us by now (which are all available in our client portal) along with an explanation of their purpose.

[Click here](#) to read the overview.

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.

Morningstar Developed Markets Index: ©2022 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Steadyhand Investment Management Ltd. is the manager of the Steadyhand funds. Steadyhand Investment Funds Inc. (SIFI) is the principal distributor of the funds.

Published on April 7, 2022, by Steadyhand Investment Funds Inc.

**steadyhand.com**

1.888.888.3147

1747 West 3rd Avenue

Vancouver, BC V6J 1K7

