

Steadyhand

15 YEARS

Q4 2022

“If you’re looking to invest in quality businesses, there’s rarely a better time than when prices are down, expectations are low, and pessimism is high (a good contrarian indicator).”

- Scott Ronalds, Steadyhand Blog, October 26



Bradley's Brief



It was a difficult year for investors. Inflation and interest rates rose, geopolitical tensions heated up, the war in Ukraine dragged on, and stock and bond prices fell. Many would describe where we've gotten to as far from normal, even extreme, but I have a different view.

It was the previous year that was off kilter. 2022 was a year of normalization. It was a surprising, dramatic, painful normalization, but normalization just the same. Interest rates returned to more sustainable levels. Oil prices better reflected the underlying economics. Investors again cared about profits and balance sheet strength. Stock valuations returned to their historical range. And the go-for-broke attitude towards investing chilled out (to be clear, it was speculation, not investing).

As a result, the performance chart on page 3 of your statement that trends up and to the right took a zig down. Generally, our clients gave back their gains from the previous year. The Builders Fund, an all-equity fund, was up 14.7% in 2021 (before fee reductions) and down 12.1% in 2022. The cash reserve in the Founders Fund to start the year (in lieu of bonds) helped soften the blow of rising interest rates, but not enough to offset the worst year ever for bonds. The fund was down 9.9%. Most importantly, however, our clients stayed steady and overwhelmingly stuck to their long-term plans.

Calling what happened in 2022 a normalization doesn't mean there aren't still dislocations and extremes remaining. Inflation is still high. Labour shortages remain commonplace. Estimates for corporate earnings seem overly optimistic. Private asset prices don't yet reflect higher interest rates and

lower stock prices. And investor sentiment is, well, downright bearish.

We have no preconceived notions about how this all plays out in 2023 but believe a more normal landscape provides a much better foundation on which to generate returns. As investors, we want the risks and bad news to be out in the open. *Check.* We prefer expectations to be low. *Check.* We expect to earn a reasonable income from holding fixed income securities. *Check.* We want the companies we own to have pricing power, financial resilience and be willing to take advantage of their strong position in a weak economy. *Check.*

We'd rather not experience another 2022, at least not for another decade or so, but we're prepared for anything. In my first National Post column of the year (*How investors can turn last year's mistakes into their future advantage*), I talk about not wasting 2022. Indeed, it was a good year for reminding us how markets work, and how returns are generated. I encourage you to read the piece (it's republished on page 19 of this report).

In addition, watch for our 2022 Year-end Review video that will be posted in the next two weeks. In the meantime, let's hope for a more normal 2023.



Key Takeaways

Stocks

- Stock markets had a weak year worldwide. Investors grappled with higher interest rates, inflation levels not seen in decades, and the widespread impacts of the war in Ukraine. Technology stocks saw a sharp reversal and played a large role in driving the U.S. market down 18% (in local currency terms), its worst showing since 2008.
- Commodity stocks were the lone bright spot in 2022, and helped prop up the Canadian market. Still, the S&P/TSX Composite Index fell 6% as most other sectors were in the red. Technology, healthcare, and real estate stocks were hit especially hard.
- Currency moves had a big impact in 2022. The loonie declined 7% against the U.S. dollar, which boosted the returns of American stocks in \$Cdn terms. Our dollar rose against the Yen (+7%) and British Pound (+5%), and was flat against the Euro.

Bonds

- The Canadian bond market declined 11.7%, its worst calendar year performance in over 40 years, as interest rates rose sharply. The Bank of Canada raised its key short-term lending rate seven times in 2022, from 0.25% to 4.25%.
- The benchmark 10-year Government of Canada yield climbed from 1.4% to 3.3% (remember: when bond yields rise, prices fall).
- Corporate bonds saw large declines as borrowing costs for businesses rose steeply.

Our Funds

- Our funds had a negative year (notwithstanding the Savings Fund), with our Small-Cap Fund holding up the best. Our balanced clients' portfolios were down 9% to 10% in 2022. Over the past 10 years, our balanced clients gained 5% to 6% per year.
- We continue to have an above average stock weighting in the Founders Fund (65%) based on our views on corporate fundamentals, valuations, and investor sentiment.
- In the context of our balanced portfolios, recent transactions included the purchase of CSL LIMITED (Australia), ROYAL DSM (Netherlands), and GENERAC HOLDINGS (U.S.); and the sale of ZOETIS (U.S.), MARUI (Japan), and FLUOR (U.S.).

Our Advice to Clients

We recommend you be at or above your long-term target for stocks. In the Founders Fund, our stock weighting is 65%. We feel speculation has subsided and valuations are reasonable following the market declines this year. Our focus is on profitable, well-financed companies that we believe are in a good position to improve their market leadership. Our outlook for bonds has improved (yields are higher) but we continue to recommend a below-average position, with cash as an alternative. In the Founders Fund, 6% 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	6.0%	-5.8%
World	8.5%	-12.4%

	3M	1Y
Bonds	0.1%	-11.7%

Fund Returns

	3M	1Y
Savings	0.9%	1.8%
Income	1.3%	-9.9%
Founders	5.1%	-9.9%
Builders	8.3%	-12.1%
Equity	3.9%	-11.8%
Global	10.2%	-13.2%
Small-Cap	10.9%	-5.7%
Global Small-Cap	11.8%	-18.2%



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 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.

The fund was up 5.1% in the quarter. Since inception (Feb 2012), it has a cumulative return of 79%, which equates to an annualized return of 5.5%.

Portfolio Specifics

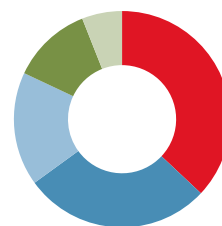
- The Founders Fund finished the year with a return of -9.9%. The fund was positioned conservatively to start the year, but that wasn't enough to offset the broad-based declines in bond and stock markets. For example, Founders held a large cash reserve (in lieu of bonds), which helped soften the blow of rising interest rates, but was not enough to offset the worst year ever for bonds
- The year's market declines reflect two things. First, 2022 followed an overly exuberant 2021, and second, the world economy is going through a major transition from hyper stimulation to a focus on fighting inflation (i.e. meaningfully higher interest rates). Despite this necessary shift, a recession has been kept at bay, although this may not be the case for 2023. The good news is, if there is a recession, which is not a certainty, it will have been the most anticipated one ever. Stocks have already adjusted a lot in anticipation, and valuations in many parts of the market are now attractive again.
- As noted in our last report, Founders had a full allocation to stocks in the second half of the year after significant buying in the second quarter. We used flows into the fund, as well as money from the cash reserve, to add primarily to the Equity and Global Equity Funds. Since June 30, the asset mix is little changed.
- As usual, we remind investors that the fund's asset mix is important, as are the adjustments we make, but returns are primarily driven by the performance of the underlying funds. Through these 6 funds, Founders owns a mix of bonds and stocks across a wide range of industries, geographies, and currencies.
- The largest transactions during the quarter (in the underlying funds) included the purchase of CSL LIMITED (Australia), ROYAL DSM (Netherlands), and GENERAC HOLDINGS (U.S.); and the sale of ZOETIS (U.S.), MARUI (Japan), and FLUOR (U.S.).

Fund Mix

Income	38%
Global	22%
Equity	22%
Small-Cap	7%
Global Small-Cap	7%
Savings	4%



Asset Mix



Foreign Stocks	37%
Canadian Stocks	28%
Gov't Bonds	17%
Corporate Bonds	12%
Cash & Short-term	6%

Positioning

- Founders holds more in stocks than its long-term average. This positive stance reflects the considerable retrenchment we had in stock prices, better valuations relative to long-term potential, and continued bearishness amongst individual and institutional investors.
- For more details on the underlying funds, please review pages 8-18.

Fund size \$585,994,483



Founders Fund

Attributes

Top Stock Holdings (% of Fund)

Danaher	1.9%
TD Bank	1.8%
CN Rail	1.6%
Microsoft	1.6%
Franco-Nevada	1.5%
Thomson Reuters	1.5%
Visa	1.3%
Metro	1.1%
Brookfield Renewable	1.0%
Telus	1.0%

Sector Allocation (Stocks)

Industrial Goods & Svc	29.6%
Financial Services	20.3%
Technology	9.4%
Healthcare	8.3%
Consumer Cyclical	7.3%
Consumer Products	5.1%
Basic Materials	4.7%
Utilities & Pipelines	4.1%
Comm. & Media	3.2%
Real Estate	2.9%
Oil & Gas	2.6%
Retailing	2.5%

Asset Mix

Long-term		Current
17%	Overseas Stocks	19%
17%	U.S. Stocks	18%
26%	Canadian Stocks	28%
35%	Bonds	29%
5%	Cash	6%

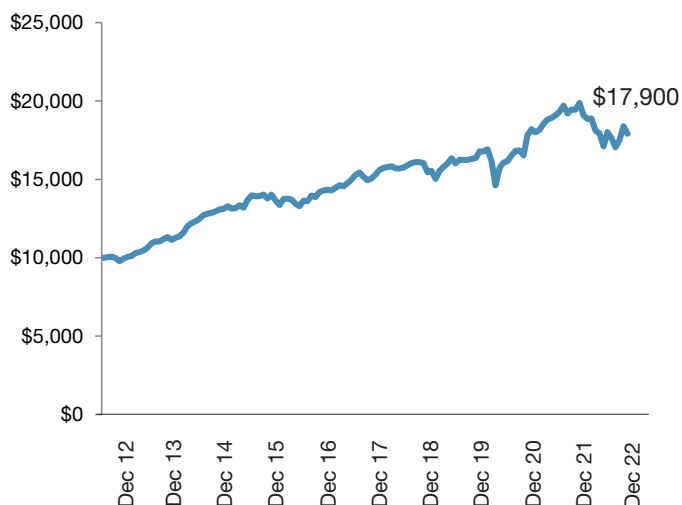
Performance

Compound Annualized Returns (as of December 31, 2022)

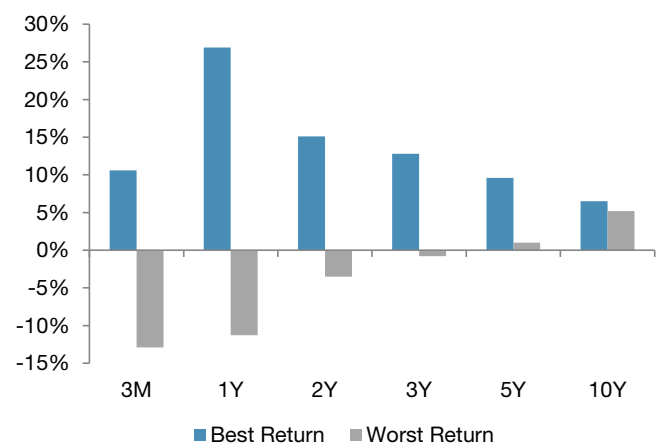
	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep ¹
Founders Fund (after-fee)	5.1%	-9.9%	-9.9%	2.2%	2.5%	5.3%	N/A	5.5%
FTSE Canada Universe Bond Index	0.1%	-11.7%	-11.7%	-2.2%	0.3%	1.6%	N/A	1.8%
Morningstar Developed Mkts Index (\$Cdn)	8.5%	-12.4%	-12.4%	6.0%	7.3%	12.1%	N/A	11.7%
S&P/TSX Composite Index	6.0%	-5.8%	-5.8%	7.5%	6.8%	7.7%	N/A	7.3%

¹Feb 17, 2012

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Builders Fund

Fund Overview

- The Builders Fund is an all-stock portfolio designed for growth-oriented investors. It 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.
- The mix of underlying funds is managed by Chief Investment Officer Salman Ahmed, with Chair and co-founder Tom Bradley as co-manager.

The fund was up 8.3% in the quarter. Since inception (Feb 2019), it has a cumulative return of 17%, which equates to an annualized return of 4.2%.

Portfolio Specifics

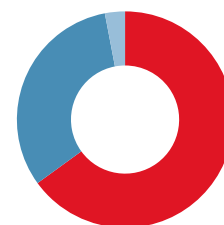
- The fund declined 12.1% in 2022. Stock markets around the world experienced significant declines, with the U.S. market turning in its worst year since 2008 (down 18% in U.S. dollars). The portfolio performed slightly better than the broad global market but trailed Canada.
- Investments are allocated roughly 1/3 towards companies based in Canada and 2/3 towards foreign businesses. The bias to foreign companies reflects a broader opportunity set outside of Canada, particularly in important industries like healthcare, technology, and consumer products and services.
- The largest area of investment, industrial goods & services (32% of the portfolio), includes a diverse mix of companies such as REGAL REXNORD (manufacturer of motors, bearings, and gearing), RITCHIE BROS. AUCTIONEERS (heavy equipment auctioneer), SAAB (aerospace, defence, and radar specialist) and SAVARIA (home elevators and mobility products). Many stocks in the sector declined in 2022 despite continuing to produce good operating results—a tireless theme this year.
- Financial services companies make up 18% 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, AIA GROUP, and MUNICH RE GROUP. In aggregate, these holdings held up better than the market.
- The technology sector is another important area of investment, comprising 11%. Our focus is on established industry leaders. MICROSOFT is one of our largest holdings and is owned in both the Equity and Global Equity Funds. Other investments include SAMSUNG ELECTRONICS (diversified technology), QUALCOMM (chips), ENGHOUSE SYSTEMS (software), and TOTVS (software). The industry was one of the worst performing sectors this year but offers good long-term growth potential.
- The portfolio has some exposure to commodity stocks (7%), including FRANCO-NEVADA (gold), NUTRIEN (fertilizers), CAMECO (uranium), HUBBAY MINERALS (copper and zinc), and TOTALENERGIES (oil & gas), but resource companies represent a smaller component of the fund due to their inherent cyclicality.

Fund Mix

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



Asset Mix



Foreign Stocks	63%
Canadian Stocks	34%
Cash & Short-term	3%

Fund size \$155,872,765

Positioning

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



Builders Fund

Attributes

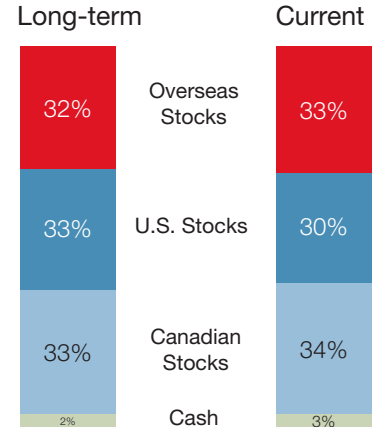
Top Stock Holdings (% of Fund)

Danaher	3.0%
Microsoft	2.6%
Franco-Nevada	2.4%
Visa	2.0%
CN Rail	1.9%
TD Bank	1.8%
Metro	1.7%
Thomson Reuters	1.6%
Oshkosh	1.5%
Brookfield Renewable	1.5%

Sector Allocation (Stocks)

Industrial Goods & Svc	32.4%
Financial Services	17.9%
Technology	10.6%
Healthcare	9.4%
Consumer Cyclical	8.4%
Consumer Products	5.6%
Basic Materials	5.2%
Retailing	2.6%
Comm. & Media	2.3%
Oil & Gas	2.3%
Utilities & Pipelines	2.3%
Real Estate	1.0%

Asset Mix



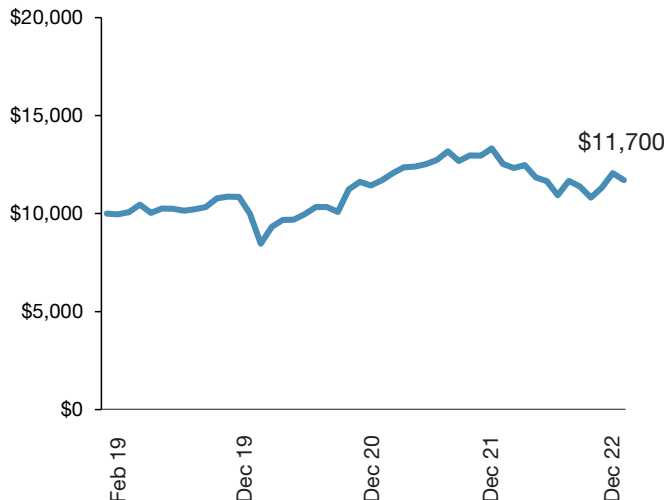
Performance

Compound Annualized Returns (as of December 31, 2022)

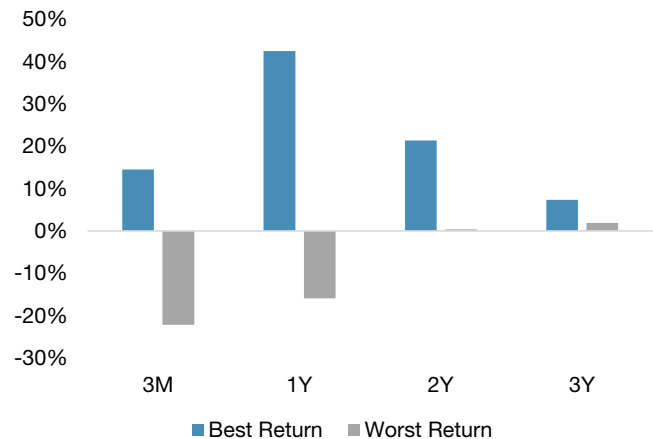
	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep ¹
Builders Fund (after-fee)	8.3%	-12.1%	-12.1%	2.5%	N/A	N/A	N/A	4.2%
Morningstar Developed Mkts Index (\$Cdn)	8.5%	-12.4%	-12.4%	6.0%	N/A	N/A	N/A	8.1%
S&P/TSX Composite Index	6.0%	-5.8%	-5.8%	7.5%	N/A	N/A	N/A	8.9%

¹Feb 15, 2019

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Income Fund

Market Context

- The Canadian bond market fell 11.7% in 2022 (interest less capital depreciation).
- Interest rates rose significantly over the year, with the 10-year Government of Canada bond yield climbing from 1.4% to 3.3%.
- Canadian stocks fell 5.8%. Technology, healthcare, and real estate stocks were especially hard hit, while the energy sector helped prop up the market.

Portfolio Specifics

- The fund declined 9.9% in 2022. The bond component (75% of the portfolio) fell 11%, while our stock holdings (25%) fared better, dropping a little over 4%.
- Interest rates rose at the sharpest pace in a generation, leading to significant declines in bond prices (when rates rise, prices fall). The Bank of Canada raised its key short-term lending rate seven times in 2022, from 0.25% to 4.25%. Longer-term bond yields also moved materially higher, but to a lesser extent as the economic outlook worsened over the year. Our fixed income investments lost ground, although they held up better than the broader market as a result of our interest rate positioning and security selection, which favoured defensive companies such as banks and utilities.
- Our manager, CC&L, expects a modest recession next year. Canada's high savings rate and stimulus measures should prevent a severe downturn, yet if inflation doesn't subside and interest rate hikes are prolonged, the situation could be worse. We have reduced our overall credit exposure (corporate and provincial bonds) and trimmed some better performing investments (telecoms and infrastructure), reflecting our outlook. As well, the fund's duration, which is a measure of the sensitivity of bond prices to changes in interest rates, is shorter than normal as a defensive measure.
- While it was a tough period for bonds, prevailing yields are more attractive than they were at the beginning of the year and the fund is generating a higher income stream (current pre-fee yield is 4.1%), which will benefit investors going forward.
- The equity portion of the portfolio (25%) held up well in a down market. Our strategy was conservative, with investments focused on companies with resilient earnings and sustainable dividend growth. Top performers included ELEMENT FLEET MGMT., SAPUTO, and LOBLAW COMPANIES. We remain cautious, but are keeping an eye open for opportunities to add to quality, deeply discounted companies. We recently added to our position in auto parts maker MAGNA INTERNATIONAL, for example.
- The fund paid distributions totaling \$0.28/unit in 2022.

Positioning

- Our manager believes a recession is likely in 2023, driven by higher interest rates and decades-high inflation. We have reduced our overall credit exposure as a result, with a focus on stable, defensive companies.
- Stocks make up 25% of the fund and remain an important source of diversification.

The fund was up 1.3% in the quarter. Since inception (Feb 2007), it has a cumulative return of 99%, which equates to an annualized return of 4.4%.

Notable Stock Transactions

Buy

Saputo*
Fortis*
Magna International
Topaz Energy
Maple Leaf Foods

*New holding

Trim/Sell

Great West Lifeco¹
Bank of Nova Scotia
TC Energy
Minto Apartment REIT
Brookfield Renewable Partners

¹Position eliminated

Fund size	\$76,916,572
Pre-fee Yield	4.1%
Avg Term to Matur.	9.4 yrs
Duration (Bonds)	7.1 yrs



Income Fund

Attributes

Top Holdings (% of Fund)

Ontario 3.00% (Nov/24)	8.1%
CC&L High Yield Bond Fd	5.0%
Canada 1.75% (Dec/53)	4.3%
Ontario 2.15% (Jun/31)	2.8%
Royal Bank	1.9%
Ontario 2.90% (Jun/28)	1.9%
Ontario 2.05% (Jun/30)	1.8%
Canada 4.00% (Jun/41)	1.8%
B.C. 2.20% (Jun/30)	1.8%
TD Bank	1.6%

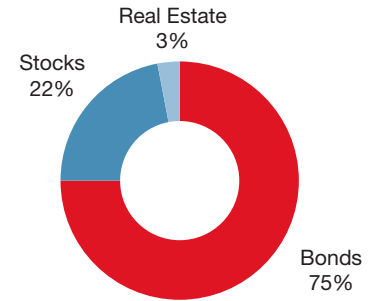
Issuer Allocation (Bonds)

Federal Government	28%
Provincial Government	34%
Corporate	38%

Rating Summary (Bonds)

AAA	31%
AA	29%
A	18%
BBB	19%
BB (or lower)	3%

Asset Mix



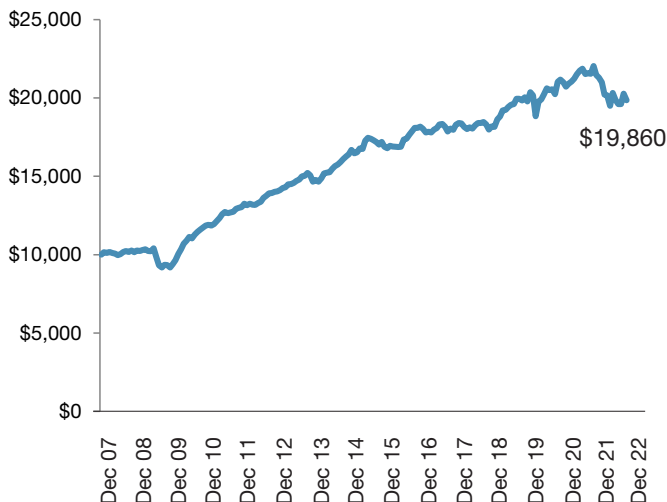
Performance

Compound Annualized Returns (as of December 31, 2022)

	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep*
Income Fund (after-fee)	1.3%	-9.9%	-9.9%	0.1%	1.6%	3.0%	4.5%	4.4%
FTSE Canada Universe Bond Index	0.1%	-11.7%	-11.7%	-2.2%	0.3%	1.6%	3.2%	3.2%
S&P/TSX Composite Index	6.0%	-5.8%	-5.8%	7.5%	6.8%	7.7%	5.4%	5.6%

*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) fell 5.8% in 2022. Commodity stocks were the only bright spot, with most other sectors declining.
- Global stocks, as measured by the Morningstar Developed Markets Index, were down 12.4% in Canadian dollar terms. Currency had a major impact in 2022. The loonie declined 7% against the U.S. dollar, which boosted the returns of American stocks in Canadian dollar terms. It gained against the Yen (+7%) and British Pound (+5%), dampening the returns of these stocks, and ended flat against the Euro.

The fund was up 3.9% in the quarter. Since inception (Feb 2007), it has a cumulative return of 175%, which equates to an annualized return of 6.6%.

Portfolio Specifics

- The fund holds 24 stocks, of which 12 are headquartered in Canada, 7 in the U.S., and 5 overseas.
- The fund declined 11.8% in 2022. Our Canadian holdings gained in aggregate, despite the market declining — an impressive accomplishment considering we held no oil & gas companies, the best performing sector in the country (up over 50%). Most U.S. and European holdings, however, struggled against the backdrop of rising inflation, higher interest rates, and the war in Ukraine.
- Sika and KEYENCE were hit particularly hard, both falling over 30%. After a long period of gains, Swiss cement manufacturer Sika reversed course in 2022 as investors are expecting the demand for construction services and cement to fall in a likely recession. Keyence experienced a similar story. The company has been a fruitful long-term holding, but the market reacted harshly to a potential slowdown in manufacturing and the demand for its robotics products.
- Our commodity-related and consumer holdings did well. FRANCO-NEVADA (gold), NUTRIEN (fertilizer), and METRO (grocery stores) were among the best performers.
- Our manager, Fiera Capital, made four new purchases in 2022. U.K.-based agricultural equipment manufacturer CNH INDUSTRIAL and Indian bank HDFC have both produced positive returns since their addition in the first half of the year. ZOETIS didn't fare as well. The stock languished despite the company's dominant position in animal healthcare. It was replaced by Australian bio-pharmaceutical company CSL LIMITED late in the year to take advantage of tax loss selling.
- While not owning any oil & gas producers hurt performance this year, Fiera continues to believe there are better long-term opportunities elsewhere. They would, however, revisit certain stocks at the right price.

Notable Transactions

Buy

CSL Limited*
Metro
Brookfield Renewable Partners
HDFC Bank

*New holding

Trim/Sell

Zoetis¹
CBRE
Visa

¹Position eliminated

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. Our manager's focus is on best-in-class companies that generate strong cash flows, have good growth prospects, and are well financed.

Fund size	\$96,831,104
No. of stocks	24



Equity Fund

Attributes

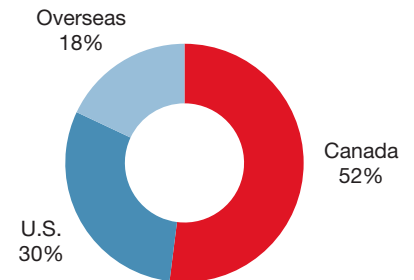
Top Stock Holdings

Franco-Nevada	7.0%
Visa	5.9%
Danaher	5.7%
CN Rail	5.6%
TD Bank	5.3%
Metro	5.0%
Thomson Reuters	4.7%
Brookfield Renewable	4.4%
Sika AG	4.4%
Keyence	4.2%

Sector Allocation (Stocks)

Industrial Goods & Svc	31.3%
Financial Services	26.4%
Basic Materials	9.9%
Healthcare	9.0%
Technology	8.1%
Retailing	5.1%
Utilities & Pipelines	4.5%
Comm. & Media	3.6%
Real Estate	2.1%

Geographic Profile (Stocks)



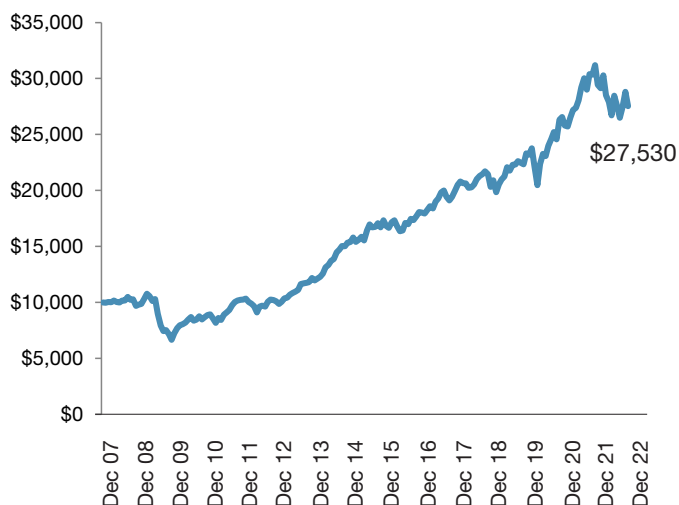
Performance

Compound Annualized Returns (as of December 31, 2022)

	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep ¹
Equity Fund (after-fee)	3.9%	-11.8%	-11.8%	5.9%	5.9%	9.5%	6.8%	6.6%
S&P/TSX Composite Index	6.0%	-5.8%	-5.8%	7.5%	6.8%	7.7%	5.4%	5.6%
Morningstar Developed Mkts Index (\$Cdn)	8.5%	-12.4%	-12.4%	6.0%	7.3%	12.1%	7.8%	6.6%

¹Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Global Equity Fund

Market Context

- Global stocks, as measured by the Morningstar Developed Markets Index, were down 12.4% in Canadian dollar terms in 2022.
- The U.S. market was among the worst performing owing to its concentration of technology stocks, which struggled significantly. Currency had a major impact in 2022. The loonie declined 7% against the U.S. dollar, which boosted the returns of American stocks in \$Cdn terms. It gained against the Yen (+7%) and British Pound (+5%), dampening the returns of these stocks, and ended flat against the Euro.

The fund was up 10.2% in the quarter. Since inception (Feb 2007), it has a cumulative return of 38%, which equates to an annualized return of 2.0%.

Portfolio Specifics

- The fund owns 49 stocks, of which 20 are domiciled in the U.S., 12 in Europe, 8 in Japan, 4 in Canada, 3 in Asia Pacific, and 2 in the U.K. Companies range in size from mega-cap MICROSOFT to small-cap FIRSTCASH HOLDINGS.
- The fund performed in line with global markets in 2022, declining 13.2%. Our technology holdings had a challenging year, specifically ADOBE, PAYPAL, QUALCOMM, and NEMETSCHKE. Industrial and consumer cyclical holdings also struggled, including NIDEC (electric motors), RATIONAL (commercial ovens), and LENNAR (homebuilder).
- There were some bright spots of note. Japanese holding PAN PACIFIC INTERNATIONAL HOLDINGS gained over 40% on the back of increased demand at its discount retail stores. TOTALENERGIES (oil & gas), AMGEN (healthcare), and MUNICHRE (insurance) also turned in double-digit returns.
- Our manager, Aristotle Capital, took advantage of the market volatility in 2022, purchasing eight new holdings. Most of these occurred in the first half of the year when volatility was at its most extreme (BROOKFIELD ASSET MANAGEMENT, MICHELIN, FMC, DOLBY LABORATORIES, MUNICHRE). Recent purchases include ROYAL DSM and NORWEGIAN CRUISE LINE HOLDINGS. DSM is a Dutch producer of food additives for nutrition and flavour, while Norwegian Cruise Line has a 10% market share in the cruise line industry and caters mainly to premium clients.
- Eight stocks were sold for valuation reasons or poor business execution.
- The fourth quarter was a busy time for some of our holdings. Brookfield, DANAHER, MEDTRONIC and LENNAR all announced spin-offs. Sony purchased Zee, one of India's largest broadcasters. Uranium producer CAMECO announced a partnership to purchase Westinghouse's nuclear plant servicing business. And regulators sued to block MICROSOFT from buying video game producer Activision Blizzard, and home security leader ASSA ABLOY from acquiring Spectrum Brands' hardware division.

Notable Transactions

Buy

Royal DSM*
Norwegian Cruise Line Hldgs.*
Magna International
Michelin

*New holding

Trim/Sell

Haleon¹
Carnival Corporation¹
Marui¹
Symrise
Martin Marietta

¹Position eliminated

Positioning

- Our manager looks for quality businesses with competitive advantages, pricing power, and proven executives. Investments are spread across industries, both fast-growing and steady-eddy, in companies that have a strong market position.

Fund size	\$50,552,668
No. of stocks	49



Global Equity Fund

Attributes

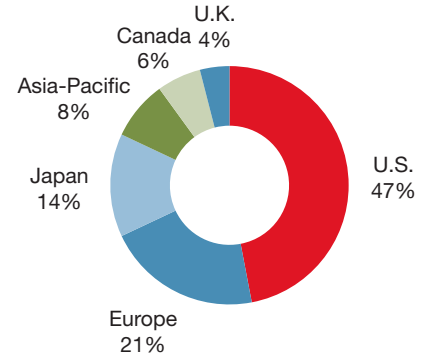
Top Stock Holdings

Microsoft	3.7%
Lennar	3.5%
TotalEnergies	3.2%
Microchip Technology	3.1%
Danaher	2.9%
DBS Group Holdings	2.7%
Martin Marietta	2.7%
MunichRe	2.6%
FMC Corporation	2.6%
Sony Group	2.6%

Sector Allocation (Stocks)

Industrial Goods & Svc	25.0%
Technology	18.6%
Financial Services	14.5%
Consumer Cyclical	13.9%
Healthcare	13.1%
Consumer Products	6.0%
Oil & Gas	3.3%
Basic Materials	2.1%
Comm. & Media	2.1%
Retailing	1.4%

Geographic Profile (Stocks)



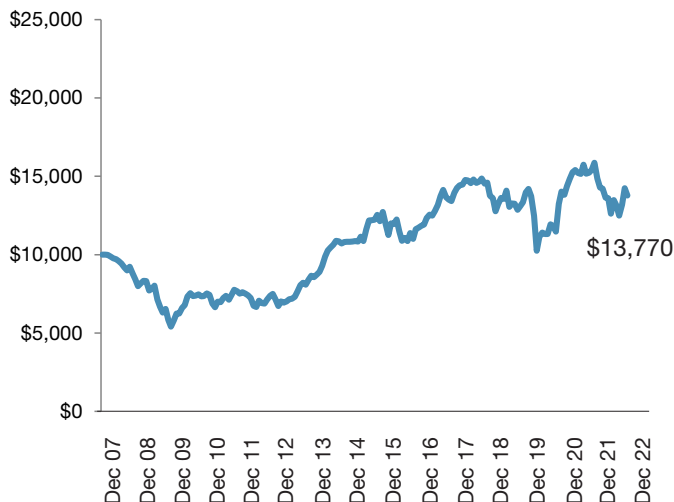
Performance

Compound Annualized Returns (as of December 31, 2022)

	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep ¹
Global Equity Fund (after-fee)	10.2%	-13.2%	-13.2%	-1.0%	-1.0%	6.0%	3.0%	2.0%
Morningstar Developed Mkts Index (\$Cdn)*	8.5%	-12.4%	-12.4%	6.0%	7.3%	12.1%	7.8%	6.6%

¹Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Small-Cap Equity Fund

Market Context

- The Canadian small-cap market (S&P/TSX SmallCap Index) fell 9.3% in 2022. U.S. small-caps (Russell 2000 Index) declined 14.7% in Canadian dollar terms.
- Energy stocks had a strong year while every other sector of the market declined.

Portfolio Specifics

- The fund consists of 26 companies, ranging from very small (HAMMOND POWER) to medium-sized businesses (SPIN MASTER). While the majority of holdings are Canadian, there are three U.S. stocks which make up 14% of the portfolio.
- The fund had a negative year, falling 5.7%, but outpaced the small-cap market. This was notable given the portfolio has only modest exposure to energy stocks (8%). The sector gained roughly 30% and comprises a much larger portion of the index.
- The year's top performers represented a diverse array of businesses: MEG ENERGY (oil producer), AG GROWTH INTERNATIONAL (fertilizer and grain storage and handling), ARITZIA (women's fashion retailer), HAMMOND POWER SOLUTIONS (dry-type transformers), and FLUOR (engineering and construction). These companies grew their revenues and executed well in a tougher economic environment.
- The biggest detractors to performance included PARK LAWN (funeral, cremation and cemetery provider), NFI GROUP (bus and motor coach manufacturer), SPIN MASTER (maker of toys and games), and SLEEP COUNTRY CANADA (mattress and sleep accessories retailer). The common theme is that these were some of the fund's top performers in 2021 and they gave back some of their prior gains. Our manager, Galibier Capital, continues to like the outlook for these businesses and purchased additional shares on price weakness. The one exception is NFI, which has struggled through the pandemic and has been acutely impacted by supply chain issues.
- The heightened volatility in 2022 led to some compelling opportunities in Galibier's view, and five stocks were purchased: Aritzia, ATHABASCA OIL (which was later sold following a strong price gain), HUBBAY MINERALS (copper and zinc miner), ENGHOUSE SYSTEMS (software solutions), and GENERAC (generators and backup power solutions for households and businesses). These companies are well established industry leaders that sell goods and services that have strong demand.
- Four investments were sold during the year: Athabasca Oil (strong performance), POINTS (takeover), WINPAK (better opportunities elsewhere), and FLUOR (strong performance). WATERLOO BREWING received a takeover offer late in the year but Galibier is content to wait and see if any competing offers come in.

The fund was up 10.9% in the quarter. Since inception (Feb 2007), it has a cumulative return of 155%, which equates to an annualized return of 6.1%.

Notable Transactions

Buy

Generac Holdings*
Park Lawn
Sleep Country Canada
Premium Brands Holdings

*New holding

Trim/Sell

Fluor¹
Torex Gold Resources
Ag Growth International
Enghouse Systems

¹Position eliminated

Positioning

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

Fund size	\$44,117,683
No. of stocks	26



Small-Cap Equity Fund

Attributes

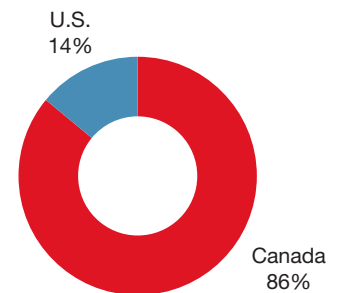
Top Stock Holdings

Spin Master	5.4%
Boyd Group Services	5.0%
SNC-Lavalin Group	5.0%
Oshkosh	4.9%
Generac Holdings	4.8%
Northland Power	4.6%
MEG Energy	4.5%
Maple Leaf foods	4.3%
Savaria	4.3%
Sleep Country Canada	4.3%

Sector Allocation (Stocks)

Industrial Goods & Svc	46.9%
Consumer Cyclical	14.0%
Consumer Products	11.6%
Oil & Gas	7.8%
Basic Materials	6.7%
Utilities & Pipelines	4.8%
Healthcare	4.3%
Retailing	2.2%
Technology	1.6%

Geographic Profile (Stocks)



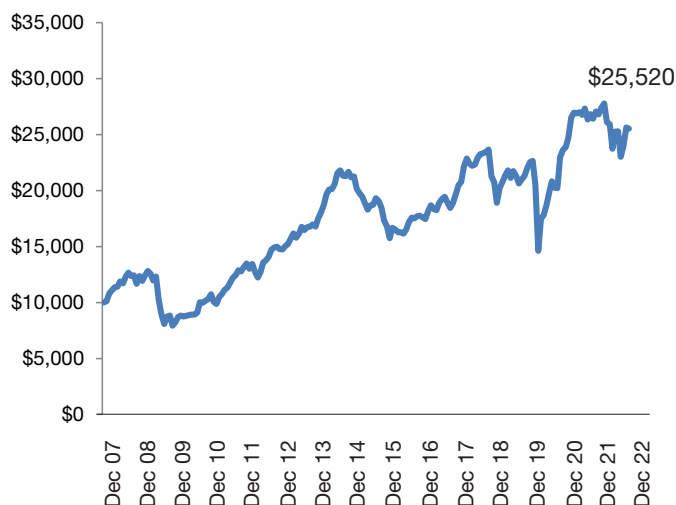
Performance

Compound Annualized Returns (as of December 31, 2022)

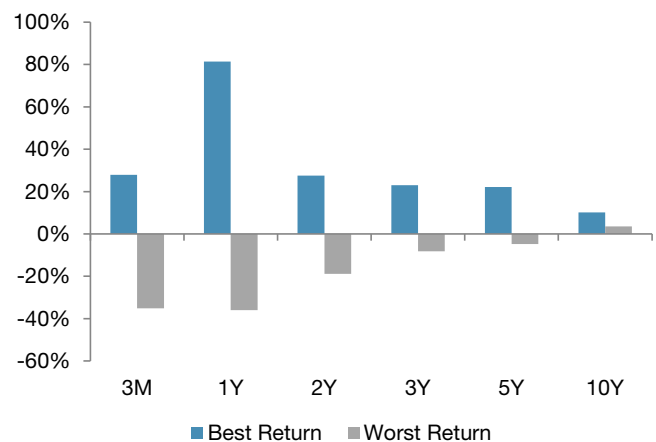
	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep ¹
Small-Cap Equity Fund (after-fee)*	10.9%	-5.7%	-5.7%	4.2%	2.9%	4.7%	4.9%	6.1%
S&P/TSX SmallCap Index	8.4%	-9.3%	-9.3%	7.2%	3.1%	4.2%	2.6%	2.5%
Russell 2000 Index (\$Cdn)	4.8%	-14.7%	-14.7%	4.6%	5.8%	12.4%	9.5%	7.4%

*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 12.6% in 2022 in Canadian dollar terms.
- The communication services, technology, and consumer discretionary sectors were notable areas of weakness, while energy stocks had a strong year.

Portfolio Specifics

- The portfolio is currently invested in 45 companies. Eighteen are based in the U.S., 12 in Europe, 7 in the U.K., 3 in Japan, 2 in Australia, 2 in Brazil, and 1 in India.
- The fund had a weak year, falling 18.2%. Our European and U.K. investments were the main detractors to performance. Stocks in the region struggled, weighed down by higher energy and labour costs, and consumer belt tightening. Specifically, KION GROUP (German forklift manufacturer), VIAPLAY (Nordic entertainment provider), and FUTURE (British specialty content publisher) turned in poor results and saw sharp declines. Our Japanese holdings were also an area of weakness. The Yen depreciated considerably (-7%), which exacerbated declines in Canadian dollar terms.
- On a positive note, many of our consumer staples and financial services holdings turned in solid results. PERFORMANCE FOOD GROUP (food products distributor) and VISCOFAN (casings for meat products) reported good revenue growth and strong guidance. Insurance provider RENAISSANCE RE exceeded expectations, and PJT PARTNERS (investment banking advisory services) continued to shine against its peers. Italian FinTech company FINCOBANK and Australian insurance broker STEADFAST GROUP also had a positive year.
- It was an active year for transactions, with our manager, TimesSquare Capital, purchasing 12 new stocks. The additions include Viscofan, TATE & LYLE (food & beverage ingredients), INTERNET INITIATIVE JAPAN (internet service provider), and CASELLA WASTE SYSTEMS (waste management). These are businesses that provide goods & services that we all need and use on a recurring basis, which is a common theme in the portfolio. Other notable additions include WNS (data analysis), VISTEON (automotive screens & in-vehicle experiences), and EXPONENT (engineering & scientific consulting), with the common thread being an eye towards the future.
- 11 stocks were sold. TimesSquare re-evaluated its thesis and moved on from a handful of businesses that disappointed from an operating perspective. These included ORPEA, PROSEGUR COMPANIA DE SEGURIDAD, FOOD & LIFE COMPANIES, NIPPON SHINYAKU, and Viaplay. On the bright side, ZYNGA and HOME SERVE received takeover offers, after which we sold our positions.

Positioning

- The fund invests in businesses with a clear competitive edge that offer products and services the world needs, a record of consistent top line (revenue) and bottom line (earnings) growth, and management that has experience, clear goals and integrity.

The fund was up 11.8% in the quarter. Since inception (Feb 2019), it has a cumulative return of 18%, which equates to an annualized return of 4.4%.

Notable Transactions

Buy

Casella Waste Systems*
Exponent*
Rotork
Spirent Communications

*New holding

Trim/Sell

HomeServe¹
Viaplay¹
Regal Rexnord
RS Group
Kion Group

¹Position eliminated

Fund size	\$10,046,921
No. of stocks	45



Global Small-Cap Equity Fund

Attributes

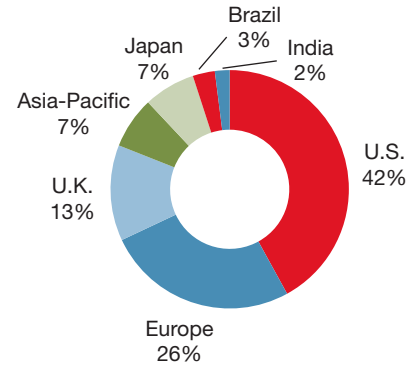
Top Stock Holdings

RenaissanceRe	4.3%
Steadfast Group	3.9%
Kobe Bussan	3.7%
Chemed	3.5%
Saab AB	3.4%
PJT Partners	3.4%
FincoBank	3.3%
EMCOR Group	3.2%
IPH	3.0%
Performance Food Group	3.0%

Sector Allocation (Stocks)

Industrial Goods & Svc	35.1%
Financial Services	25.8%
Consumer Products	12.2%
Consumer Cyclical	9.2%
Healthcare	7.5%
Technology	6.2%
Comm. & Media	2.5%
Real Estate	1.5%

Geographic Profile (Stocks)



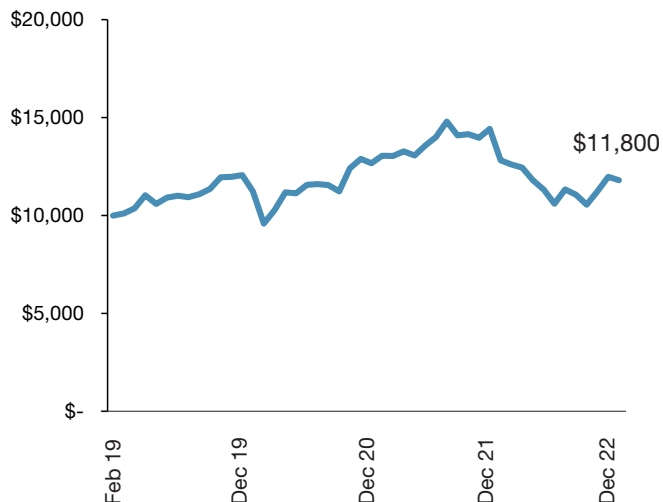
Performance

Compound Annualized Returns (as of December 31, 2022)

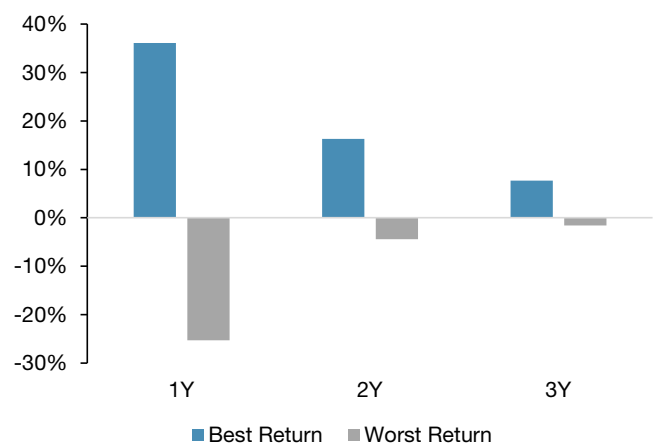
	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep ¹
Global Small-Cap Equity Fund (after-fee)	11.8%	-18.2%	-18.2%	-0.5%	N/A	N/A	N/A	4.4%
S&P Global SmallCap Index (\$Cdn)	9.2%	-12.6%	-12.6%	4.2%	N/A	N/A	N/A	5.5%

¹Feb 15, 2019

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



Savings Fund

Market Context

- The Bank of Canada raised its key short-term lending rate seven times in 2022, from 0.25% to 4.25%. The increases were made to slow economic growth and curb inflation, which reached its highest level in 40 years, topping 8% in July. Overall prices have since come down slightly, but are still 7% higher than at this time last year.
- Central banks remain firmly committed to bringing inflation down, but there are indications that rate hikes may soon be nearing an end. The Bank of Canada surprised markets with a smaller than expected increase of 0.5% in October (as well as December) and noted that it is now considering whether rates need to rise further.
- While higher interest rates have led to a sharp decline in bond prices this year, they have been welcomed by savers, who are now receiving a better yield on their cash.

The fund was up 0.9% in the quarter. Since inception (Feb 2007), it has a cumulative return of 21%, which equates to an annualized return of 1.2%.

Positioning

- Corporate paper makes up 56% of the portfolio, while T-Bills comprise 44%.
- Exposure to bank paper was slightly increased to help enhance the fund's yield.
- The pre-fee yield of the portfolio at the end of December was 4.5%.

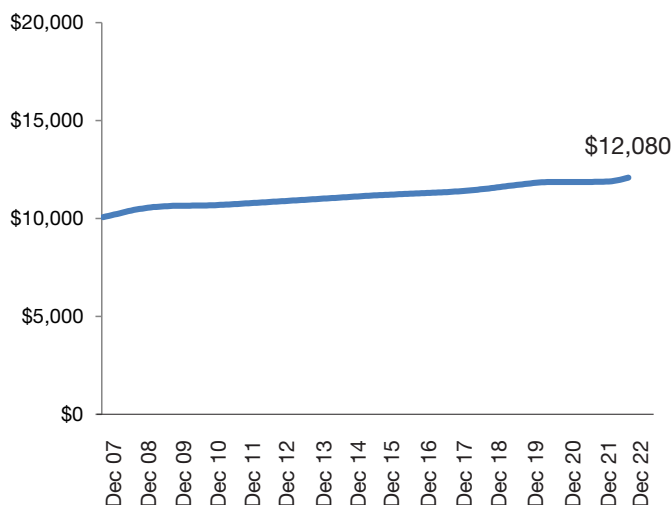
Performance

Compound Annualized Returns (as of December 31, 2022)

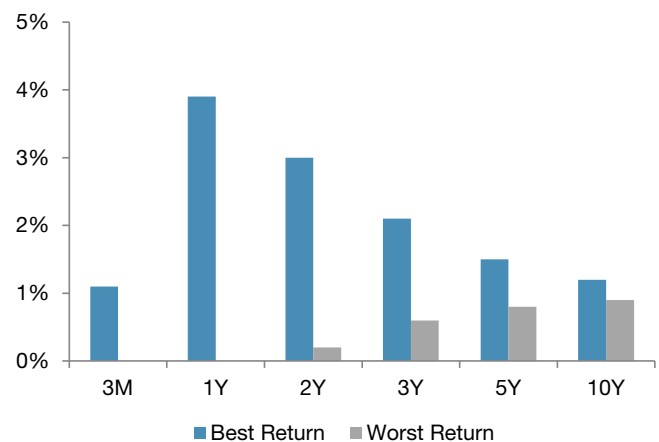
	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep*
Savings Fund (after-fee)	0.9%	1.8%	1.8%	0.9%	1.2%	1.0%	1.0%	1.2%
FTSE Canada 91 Day T-Bill Index	1.0%	1.8%	1.8%	0.9%	1.2%	0.9%	1.1%	1.3%

*Feb 13, 2007

Growth of \$10,000 Since Inception



Best and Worst Annualized Returns



How investors can turn last year's mistakes into their future advantage

Special to the National Post, by Tom Bradley, January 7, 2023

As we launch into 2023, it's a good time to embed some lessons from the past two years into your investment process. I say "embed" because investors generally aren't good at learning from past mistakes.

In a [recent article](#), Morgan Housel, a partner at Collaborative Fund Management, made the distinction between cumulative and cyclical learning. The medical profession, which steadily builds on past successes and failures, fits in the former category. The investment world, not so much. It seems its lessons need to be relearned each cycle.

"Cyclical knowledge, and the inability to fully learn from others' past experiences, means you have to accept a level of volatility and fragility not found in other fields," Housel said. "I can imagine a world in 50 years where things like cancer and heart disease are either non-existent or effectively controlled. I cannot ever imagine a world where economic volatility is tamed and people stop making financial decisions they eventually regret."

Ever the optimist, I'd like to think investors can shift experiences to the cumulative category from the cyclical. Here are a few you can draw upon when needed.

Mr. Market is whacko: We should never forget that markets are totally unpredictable. There's no excuse for being surprised when stocks go up, sometimes by a lot, on seemingly bad news or down on positive news. The market is a complex organism driven by expectations of what may happen in the future to a multitude of economic and social factors. There should be no expectation of precision. Basing an investment strategy on a short- or even medium-term forecast is a mugs game.

It's cyclical, stupid: Part of the unpredictability is because most aspects of investing are cyclical. It's basic economics. Something that becomes popular attracts more capital, which pushes prices up and, in turn, increases supply. Higher prices ultimately lead to less demand. More supply and less demand are a bad combination. I recommend treating every trend as cyclical until proven otherwise.

Fear and greed: Another factor that makes stocks so volatile is human emotion. The degree to which investors are positive or negative has a huge impact on stock prices. If you can

stand back from the charging herd and observe, however, investor sentiment is a useful risk-management tool. When everyone around you is being greedy, it's time to be careful. When they're fearful, well, you know.

Knowing that markets are unpredictable, cyclical and unduly volatile, what should you base your investment decisions on? What lessons should you accumulate? Here are three.

It's all about profits: In our multimedia world of instant information (and gratification), we must remember that a company's true worth ultimately comes down to its long-term ability to make a profit and pay dividends. Short-term news reflects the current situation (and influences investors' mood), but often has little or no impact on the long-term outlook. Nor does an interesting pattern on a stock chart.

Valuation is the closest thing to gravity investors have: The price you pay for a security isn't the only factor on how it does, but it's the most important. The higher the price relative to its history, the lower the return. This applies to stocks, private investments and real estate. Investors who have a good sense of what a company is worth don't blink at market volatility; they take advantage of it.

Trend versus trendy: Cellphones, online retailing, social media, black tights and ridesharing aren't fads, but many market trends turn out to be. When looking for the next Apple, Amazon, Facebook, Lululemon or Uber, keep an eye out for the warning signs of a frothy fad.

For example: stories in the media about how much money people are making with no mention of profitability; valuations based on metrics such as eyeballs, likes, subscribers or square footage; a wave of new exchange-traded funds launched to capture the trend; and recommendations from your cab driver. But the No. 1 tipoff that it may not be sustainable: it seems too good to be true.

Last year was a tough one and shouldn't be wasted. There are many lessons that deserve to be entrenched in your knowledge bank. You're guaranteed to need them again, because successfully managing your portfolio through market extremes and bursting bubbles will contribute hugely to your long-term returns.



Steadyhand



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