Q3

2012

> *"There are no lack of things to worry about on the world stage. We think it is best to tune this out, or at least, down. The companies that we invest in continue to be in excellent shape and we are confident that, over the long term, they will continue to deliver excellent returns."*
>
> - Wil Wutherich (manager of the Steadyhand Small-Cap Equity Fund)

STEADYHAND

Bradley's Brief

Portfolio managers are a paranoid lot. When times are good, we worry about when it's going to end. When times are bad, we worry that it's never going to end.

- Don Cranston, the 'C' in CGOV Asset Management

The third quarter was another good one. Stock markets were up and our clients continued to do well. When we meet with clients in this positive context, or see them on the street, we hear words like, "Just keep doing what you're doing … I love the Income Fund … that Wil guy is awesome."

While it's gratifying to hear, I do worry about the expectations that are embedded in these compliments. After a period of strong returns, there is a tendency to accept it as a trend. But as we know, investors should never project anything that's happened in the past as the trend for the future. Good long-term performance encompasses strong and weak periods.

I'm most uneasy with expectations around the Income Fund, which has had a particularly good run over the last 4 years. No one will be surprised to hear that I love the design of the fund and have great confidence in our manager, Connor, Clark & Lunn. Indeed, I expect them to continue using corporate bonds, high-yield securities and dividend-paying companies to generate returns well above government bond yields and GIC rates.

But … we have to keep in mind that the starting point for the next 5 years is quite different than it was in 2009, or even 2007. Interest rates are 2% lower, which means the expected return for bonds (currently 70% of the fund) is 2% lower. Real estate investment trusts (REITs) and dividend-paying stocks are more popular now and don't offer the same recovery potential they did in 2009. So instead of the 7% per annum that the fund has achieved over the last 5 years, a reasonable expectation for the next five should be 3-5%. And with a good portion of the return coming from stocks, we should also expect bumps along the way (some quarters with negative returns).

As a counterpoint to the Income Fund, the starting line for the Global Equity Fund, our weakest performer so far, is quite similar to three years ago. Valuation multiples on European and Asian stocks are low and are reflecting most or all of the bad economic news (short of a total economic meltdown). The U.S. market has been strong, but there are still plenty of attractively priced stocks to choose from there too.

All of this to say, I encourage our clients to stick to their long-term plan. In these uncertain times, more than ever portfolios should be broadly diversified across a wide range of fixed income and equity securities. With regard to asset mix, the goal is for our portfolios to be positioned 'approximately right' for the next 5 years, as opposed to being 'perfectly positioned' for the last 5 years. As you'll see from the Founders Fund commentary (page 5), this means holding a full allocation to equities with an emphasis on foreign stocks, a minimum weighting in government bonds and a meaningful cash reserve (13%) in anticipation of more volatile markets ahead.

There is little news to report on the company front this quarter. With our client count growing more rapidly, Neil, Elaine, Scott, Chris, David, Sher, Alan and Patricia (our new 'New Guy') all have their heads down and are working hard. Me? I'm wallowing around in my paranoia.

Tom

Takeaways

Stocks had a positive quarter, with resource stocks rebounding. The bond market also gained ground led by the corporate and high yield sectors

Stocks

- Most stock markets had a positive quarter. The U.S. (S&P 500 Index) and Canada (S&P/TSX Composite Index) rose 6% and 7%, respectively, and key European markets rose 4-12%. Japan was the laggard, declining slightly.
- Resource stocks rebounded, which helped the Canadian market. The small-cap market in particular benefited from its heavy concentration in gold and mining companies.
- There was progress in Europe regarding the region's debt problems, with the European Central Bank (ECB) stepping up efforts to tackle fiscal issues. Less talk, more money.
- The Canadian dollar rose against most currencies, which was a negative factor for foreign stock returns.

Bonds

- The Canadian bond market returned 1.2% led by a strengthening in corporate and high yield bond prices.
- The 10-year Government of Canada benchmark yield finished the quarter unchanged at 1.7%, and federal bonds lagged the broader market.
- U.S. bank bonds were a key area of strength, as there continues to be positive signs that the American housing market is stabilizing.

Our Funds

- Our portfolios posted solid returns in the quarter. Balanced clients experienced returns in the 3% to 4% range, depending on their asset mix, and are up 7% to 8% year-to-date.
- Our bias towards foreign stocks and corporate bonds remains in place.
- The funds' 5-year performance numbers stack up well against their benchmarks and peers, with 4 of our original 5 funds achieving 1st quartile returns.

Our Advice to Clients

Our advice remains essentially unchanged from last quarter. We recommend a full allocation to equities in relation to your long-term asset mix (with a bias towards foreign stocks), a below-average position in bonds, and a modest cash weighting. This positioning reflects our view that bonds look expensive and stock valuations are attractive.

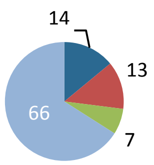
Our managers (CGOV and Wutherich & Co. in particular) have sold or trimmed back some positions where valuations have become expensive or in instances where companies have received premium takeover offers. This means your portfolio likely has a higher cash balance than in recent quarters. Our managers will look to deploy part of this cash as opportunities arise, but in the meantime they are comfortable having extra 'ammunition' in the current environment. **Questions? 1-888-888-3147.**

Steadyhand Portfolios (Hypothetical)*

Compound Annualized Returns

Income Fund | Equity Fund | Global Equity Fund | Small-Cap Equity Fund

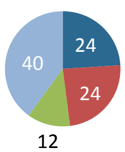
Balanced Income Portfolio



Long-term asset mix:
Fixed Income – 50%
Cdn Equities – 30%
U.S. Equities – 10%
Overseas Equities – 10%

3 M	YTD	1 Y	2 Y	3 Y	5 Y
3.3%	7.3%	11.9%	7.4%	8.2%	4.7%

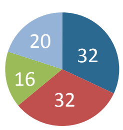
Balanced Equity Portfolio



Long-term asset mix:
Fixed Income – 30%
Cdn Equities – 34%
U.S. Equities – 18%
Overseas Equities – 18%

3 M	YTD	1 Y	2 Y	3 Y	5 Y
3.8%	7.9%	13.3%	7.3%	7.3%	2.6%

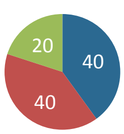
Growth Portfolio



Long-term asset mix:
Fixed Income – 15%
Cdn Equities – 37%
U.S. Equities – 24%
Overseas Equities – 24%

3 M	YTD	1 Y	2 Y	3 Y	5 Y
4.2%	8.3%	14.4%	7.3%	6.6%	1.0%

Aggressive Growth Portfolio



Long-term asset mix
Fixed Income – 0%
Cdn Equities – 40%
U.S. Equities – 30%
Overseas Equities – 30%

3 M	YTD	1 Y	2 Y	3 Y	5 Y
4.6%	8.8%	15.5%	7.2%	5.8%	-0.6%

Capital Market Performance

	3 M	YTD	1 Y	2 Y	3 Y	5 Y
DEX 91 Day T-Bill Index	0.2%	0.7%	0.9%	1.0%	0.8%	1.5%
DEX Universe Bond Index	1.2%	3.3%	5.5%	6.1%	6.5%	6.9%
S&P/TSX Composite Index	7.0%	5.4%	9.2%	2.6%	5.5%	0.2%
BMO Small Cap Index	10.2%	3.6%	9.0%	3.2%	11.8%	2.0%
S&P 500 Index ($Cdn)	2.7%	12.6%	23.3%	12.2%	10.0%	0.8%
MSCI World Index ($Cdn)	3.1%	9.8%	15.8%	6.0%	5.0%	-1.8%

*The referenced portfolios are hypothetical portfolios comprised of Steadyhand funds. Each portfolio assumes that it is rebalanced on a quarterly basis to the target fund allocation. The indicated rates of return are the historical compound annualized returns (unaudited). See end of report for all performance disclaimers. For further details on the portfolios, visit www.steadyhand.com/education/portfolios.

Founders Fund

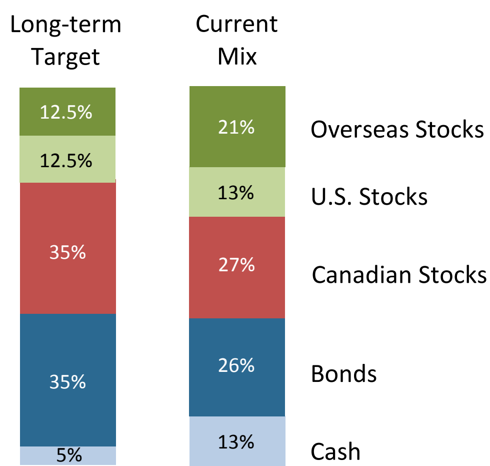
Fund Overview

- The Founders Fund is a balanced mix of our fixed income and equity funds.
- It has a long-term asset mix target of 60% equities and 40% fixed income, although there's considerable scope to adjust these weightings.
- Tom Bradley manages the fund, and as such, it reflects Steadyhand's views on corporate fundamentals, valuations and asset mix.

Due to profit taking in the Equity Fund and Small-Cap Equity Fund, the Founders Fund is now slightly more defensive. Cash accounts for 13% of the portfolio.

Asset Mix

- The fund currently has a full allocation to equities (in relation to its long-term target) based on our view that stock valuations remain attractive and largely reflect a slow growth, high risk economic outlook.
- Non-North American companies comprise a significant weighting as we believe they represent more compelling opportunity.
- The portfolio's Canadian stocks consist primarily of income-oriented securities (Income Fund) and high-quality companies with growing dividends (Equity Fund), and to a lesser extent, smaller companies with faster growth profiles (Small-Cap Fund).
- The weighting in bonds remains well below the long-term target, as yields on short and medium-term Government bonds are below the level of expected inflation, which is an unsustainable situation in our view.
- The cash reserve, at 13%, provides a meaningful source of liquidity and cushion in the event of heightened market volatility.



Fund Mix

Income Fund	38%
Equity Fund	25%
Global Equity Fund	24%
Small-Cap Equity Fund	5%
Savings Fund	8%

Portfolio Specifics

- Refer to pages 7-16 for details on the underlying funds.

Notable Transactions

- The fund allocations were largely unchanged during the quarter, although the cash level increased to 13% (from 10%) due to profit taking in the Equity Fund and Small-Cap Equity Fund. Both funds currently have healthy cash positions.

Founders Fund

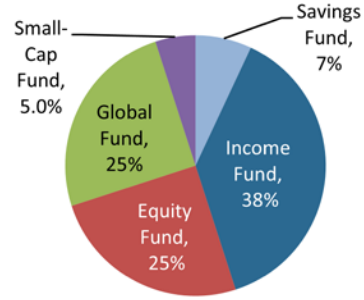
Top Stock Holdings (% of Fund)

TD Bank	2.2%
Crescent Point Energy	1.8%
Unilever	1.6%
Suncor Energy	1.3%
Novartis	1.1%
Potash Corp.	1.0%
Starbucks	1.0%
CVS Caremark	1.0%
Lincoln Electric	1.0%
Franco-Nevada	1.0%

Sector Allocation (Equities)

Financials	19.6%
Industrials	17.3%
Energy	12.5%
Information Technology	11.5%
Consumer Staples	10.1%
Consumer Discretionary	9.6%
Telecom Services	6.7%
Materials	6.5%
Health Care	4.3%
Utilities	2.1%

Fund Mix



Transactions

+	-
Starbucks	Asia Pac Brew.
Novozymes	TMX Group
Maersk	DR Horton
EnCana	Shoppers DM

Asset Mix

Cash & Short-term	12.8%
Government Bonds	9.1%
Corporate Bonds	17.1%
Canadian Equities	26.9%
Foreign Equities	34.1%

Fund Size

Net Assets $25,134,146

Fee

One Simple Fee 1.34% (or less)

Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
Founders Fund	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
DEX Universe Bond Index	1.2%	3.3%	5.5%	6.1%	6.5%	6.9%	6.3%
S&P/TSX Composite Index	7.0%	5.4%	9.2%	2.6%	5.5%	0.2%	1.9%
MSCI World Index ($Cdn)	3.1%	9.8%	15.8%	6.0%	5.0%	-1.8%	-2.8%

*Feb. 17, 2012

Growth of $10,000 Since Inception

Securities regulators prohibit us from reporting performance for a fund that has been available for less than one year. Investors can visit Morningstar or Globefund for information on the fund's returns.

Income Fund

Market Overview

- Bonds had another positive quarter, led by declining yields (resulting in price appreciation) in the corporate and high yield sectors. Government bond yields were unchanged, as 10-year Government of Canada yields ended the quarter where they started at 1.7%.
- The Canadian stock market gained 7% on strength in resource stocks.

The manager has a positive outlook for 'risk assets' such as corporate bonds and stocks, as many of the valuation metrics they focus on look attractive

Portfolio Specifics

- The fund's high yield bonds were the strongest contributors to performance, gaining over 5%. Investment grade corporate bonds (those rated BBB or higher) also had a good quarter.
- The manager, Connor, Clark & Lunn, feels that federal government bonds are "undeniably expensive" (yields are below the level of inflation) and the credit market (corporate bonds) offers much better value. CC&L's focus continues to be on bank and insurance bonds.
- We highlighted the manager's positive outlook for U.S. bank bonds last quarter. One of CC&L's higher conviction bets has been on the stabilization of the U.S. housing sector through investments in bonds issued by *Bank of America* and *Citigroup*. These investments performed well in the summer as sentiment towards the sector improved.
- The portfolio's income-equities (dividend-paying stocks and REITs) performed well, although they modestly lagged the broader market. Given the defensive structure of this portion of the portfolio (no gold or highly-cyclical companies), this can be expected in a resource-driven market.
- The fund paid a distribution of $0.10/unit. This figure can currently be justified based on income from interest, dividends and capital gains. If interest rates stay near historic lows, however, the distribution may be reduced in future quarters to reflect the portfolio's lower income stream.

Notable Transactions

- The fund's weighting in federal government bonds was reduced to 3% (from 7%). CC&L believes provincial bonds offer better value and added modestly to these securities, bringing their weight in the portfolio to 19%.
- On the stock side, the manager trimmed some real estate positions (the sector has been strong this year) and added to a few energy and financial holdings. *EnCana* and *Russel Metals* were among the new additions.

Positioning

- The manager's key views remain unchanged: they continue to like the credit market (corporate bonds) and are wary of government bonds.
- CC&L is not taking a lot of interest rate risk (i.e. betting on a movement in rates). They feel rates will rise over the longer-term, but are likely to remain at low levels until governments turn off the liquidity tap.

Corporate bonds

High yield

REITs
Chartwell, Cominar, H&R

Federal government bonds

U.S. bank bonds
Citigroup, Bank of America

Provincial bonds

Short duration

Income Fund

Top Holdings

CC&L High Yield Bond Fd	8.4%
Ontario 5.85% (03/08/33)	3.4%
Quebec 3.50% (12/01/22)	2.9%
HSBC 1.32% (07/31/13)	2.5%
BNS 1.11% (12/24/12)	2.5%
Bank of Nova Scotia	2.0%
Toronto-Dominion Bank	1.9%
Quebec 4.50% (12/01/18)	1.7%
CIBC 4.11% (04/30/15)	1.7%
Telus	1.6%

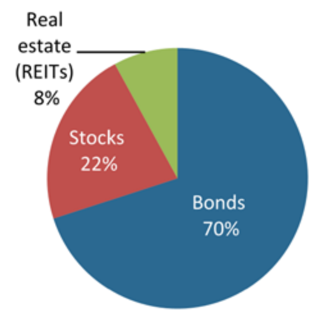
Issuer Allocation (Bonds)

Federal Govt. Bonds	4.5%
Provincial Govt. Bonds	30.2%
Corporate Bonds	65.3%

Rating Summary (Bonds)

AAA	6.8%
AA	26.1%
A	40.7%
BBB	18.6%
BB (or lower)	7.8%

Asset Mix



Stock Transactions

+	-
EnCana	Genivar
Russel Metals	Crombie REIT
Royal Bank	BCE
Intact Financial	Great West Life

Portfolio Summary

Avg. Term to Maturity	9.0 yrs.
Duration	6.4 yrs.

Fund Size / Yield

Net Assets	$73,501,166
Pre-fee Yield	3.4%

Fee

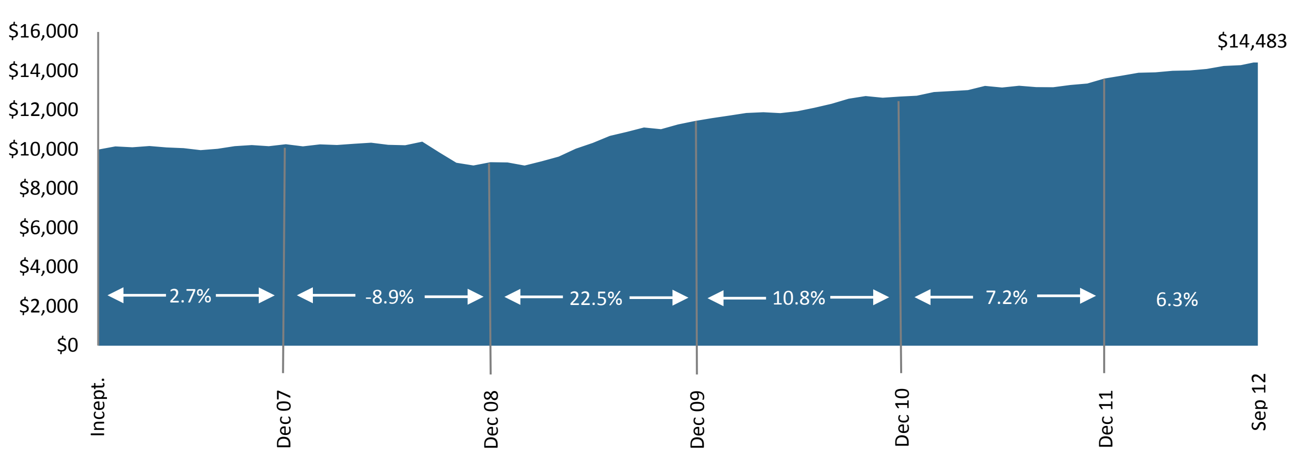
One Simple Fee 1.04% (or less)

Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
Income Fund	**2.7%**	**6.3%**	**9.9%**	**7.3%**	**9.2%**	**7.3%**	**6.8%**
DEX Universe Bond Index	1.2%	3.3%	5.5%	6.1%	6.5%	6.9%	6.3%
S&P/TSX Composite Index	7.0%	5.4%	9.2%	2.6%	5.5%	0.2%	1.9%

*Feb. 13, 2007

Growth of $10,000 Since Inception



Equity Fund

Market Overview

- The Canadian market (S&P/TSX Composite Index) gained 7.0% in the quarter, as resource stocks had a strong recovery.
- Global markets also had a good quarter, with the U.S. and many European markets posting strong gains.

Portfolio Specifics

- The fund's Canadian holdings were strong performers while some of its U.S. investments cooled off a little after a stretch of strong performance.
- The manager, CGOV, likes to ensure they own a mix of profitable businesses across a broad range of industries, from the 'old economy' (*Suncor*, *CN Rail*, *Magna*) to the new (*Oracle*, *Insperity*, *Novozymes*). The old economy drove performance in the quarter (energy, brewing).
- *Asia Pacific Breweries*, a key contributor to performance, was sold after Heineken offered to purchase the portion of the company it didn't already own. The stock, which had risen to become the largest holding, gained nearly 50% in the quarter and tripled over the two years it was in the fund.
- Where appropriate, the manager is willing to pay a higher valuation for companies that generate strong internal growth. In the quarter, they added two such businesses to the fund (*Starbucks*, *Novozymes*).
- CGOV trimmed a few strong performers (*Franco-Nevada*, *Unilever*, *Oracle*) and as a result the fund's cash weighting is higher than normal at 11%.
- The portfolio's weighted price-to-earnings multiple (P/E) is roughly 14X, which is not expensive but not cheap; more like fair value.

Notable Transactions

- *Starbucks* and *Novozymes* were purchased. Starbucks has a strong growth outlook with incremental revenues expected to come from its single-cup brewer, new bakery operation and energy drinks. Likewise, Novozymes (the global leader in producing enzymes for industrial use) is well positioned to grow its earnings (see P. 17).
- *Asia Pacific Breweries* was sold following a take-over offer by Heineken.
- *TMX Group* was sold after being acquired by Maple Group.

Positioning

- Exposure to the emerging markets through investments in well established consumer-focused businesses remains an important theme.
- U.S. and overseas companies make-up nearly half of the portfolio as CGOV continues to find good value outside Canada.
- The manager took profits by trimming holdings that have seen strong price gains (noted above). As central banks continue to try to stimulate the economy, CGOV feels it's wise to have some cash on hand to take advantage of opportunities that may arise from heightened volatility.

Exposure to the emerging markets through consumer companies with a global footprint remains an important theme

Consistent earnings growth

TD Bank, Home Capital Group

Foreign stocks

Emerging markets

Cash

Mining

Consumer goods

CVS Caremark, Unilever, Dairy Farm

Equity Fund

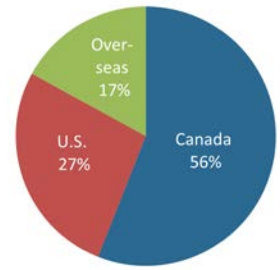
Top Holdings

TD Bank	5.8%
Crescent Point Energy	5.4%
Suncor Energy	5.3%
Novartis	4.5%
Potash Corp.	4.1%
Starbucks	4.0%
CVS Caremark	4.0%
Lincoln Electric	4.0%
Franco-Nevada	3.9%
Home Capital Group	3.8%

Sector Allocation (Equities)

Industrials	21.0%
Energy	18.9%
Consumer Staples	15.9%
Materials	13.7%
Financials	10.8%
Consumer Discretionary	7.9%
Health Care	5.0%
Telecom Services	3.6%
Information Technology	3.2%

Geographic Profile (Equities)



Transactions

+	-
Starbucks Novozymes Ritchie Bros. Magna	Asia Pac Brew. TMX Group Franco-Nevada Unilever

Asset Mix

Equities	89.3%
Cash & Short-term	10.7%

Fund Size / Concentration

Net Assets	$42,818,028
Number of stocks	25

Fee

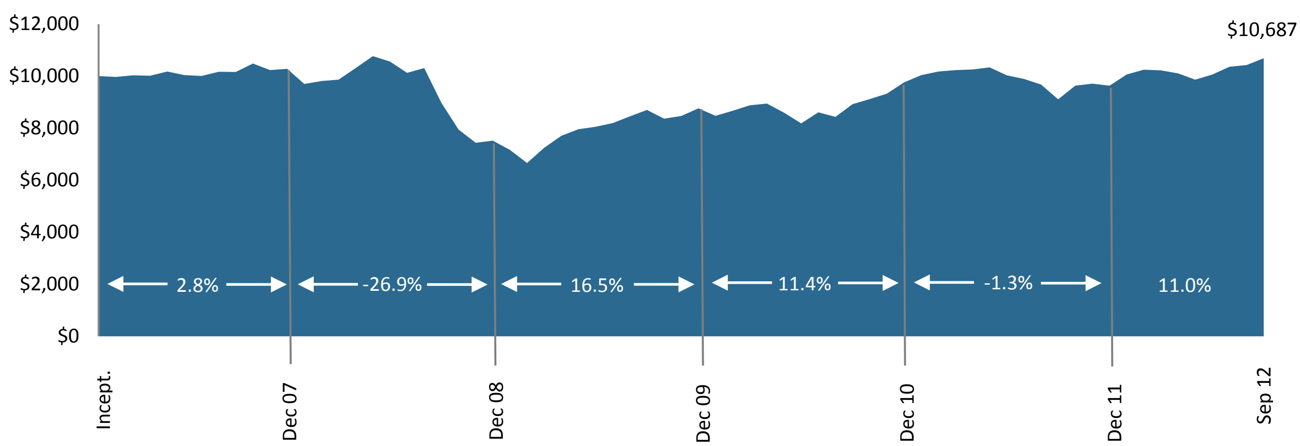
One Simple Fee 1.42% (or less)

Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
Equity Fund	**6.2%**	**11.0%**	**17.3%**	**9.4%**	**7.1%**	**1.0%**	**1.2%**
S&P/TSX Composite Index	7.0%	5.4%	9.2%	2.6%	5.5%	0.2%	1.9%
MSCI World Index ($Cdn)	3.1%	9.8%	15.8%	6.0%	5.0%	-1.8%	-2.8%

*Feb. 13, 2007

Growth of $10,000 Since Inception



Global Equity Fund

Market Overview

- Global stocks had a positive quarter, with the U.S. market gaining 6% (in U.S. dollars) and many European markets rising (led by Germany). The exception was Japan, which declined modestly.
- The Canadian dollar rose against the U.S. dollar (+4%), Euro (+2%), Yen (+1%) and British Pound (+1%). This appreciation dampened returns slightly.

The portfolio has a focus on companies that will benefit from a recovery in the Eurozone and increased consumer spending in Asia

Portfolio Specifics

- The U.S. holdings have driven the fund's return in 2012, while investments in Japan, China and Brazil have detracted from performance.
- There was progress in Europe regarding the region's debt problems, with the European Central Bank (ECB) stepping up efforts to enhance liquidity and lower borrowing costs for troubled nations. The fund's European holdings benefited from improved sentiment and are amongst the portfolio's strongest performers this year (*SAP*, *Deutsche Post*, *Heineken*).
- Technology companies have been an area of focus over the past few years and many investments are paying off (*SAP*, *Microsoft*, *Google*, *Samsung*).
- Japanese export-focused holdings (*Panasonic*, *Yamaha*, *Fujitsu, Ricoh*) continue to be the greatest area of weakness, although other investments in the country have provided positive returns (*Softbank*, *Japan Tobacco*). The manager (Edinburgh Partners) still sees strong potential in Japan.
- The fund's automobile-related holdings have also hurt performance this year (*Dongfeng Motor*, *Johnson Controls*). Additional shares were purchased in the quarter on price weakness.

Notable Transactions

- Three companies were purchased: *A.P. Moller Maersk* (Danish shipping conglomerate), *Genting Singapore* (leisure and gaming resort operator), and *Safran* (French supplier of aerospace equipment).
- Three stocks were sold: *DR Horton* (strong performance); *Ricoh* and *Petrobras* (weak outlooks).

Positioning

- Companies with predictable earnings have served the fund well (*Unilever*, *Sanofi*, *Microsoft*, *Walmart*), but the manager feels stronger performance will come from businesses poised to benefit from a recovery in the Eurozone and increased consumer spending in Asia. The portfolio is positioned to reflect this.
- Growing consumption in Asia remains an important theme and the manager is finding undervalued businesses in Singapore and China.
- The fund's geographic profile is tilted toward Europe (41%) and Asia (34%), with U.S. stocks comprising 25% of the portfolio.

Asian consumption

China Mobile, Dongfeng Motor, Genting

Technology

U.S.

Europe

Deutsche Post, ENI, Aviva

Low P/E

Value tilt

Global Equity Fund

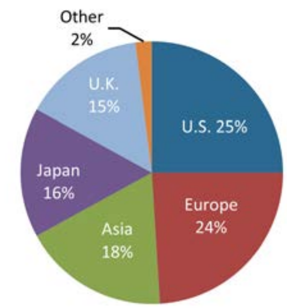
Top Holdings

Google	3.4%
Softbank	3.1%
ENI	3.0%
ABB	2.8%
Sanofi	2.8%
Aviva	2.8%
SAP	2.8%
Samsung	2.8%
Cisco Systems	2.7%
SanDisk	2.7%

Sector Allocation (Equities)

Information Technology	22.2%
Consumer Discretionary	16.3%
Financials	15.4%
Industrials	12.5%
Telecom Services	10.7%
Consumer Staples	10.3%
Health Care	5.0%
Energy	4.8%
Materials	2.8%

Geographic Profile (Equities)



Transactions

+	-
Maersk Genting Safran SAP Dongfeng	DR Horton Ricoh Petrobras

Asset Mix

Equities	95.6%
Cash & Short-term	4.4%

Fund Size / Concentration

Net Assets	$25,909,399
Number of stocks	40

Fee

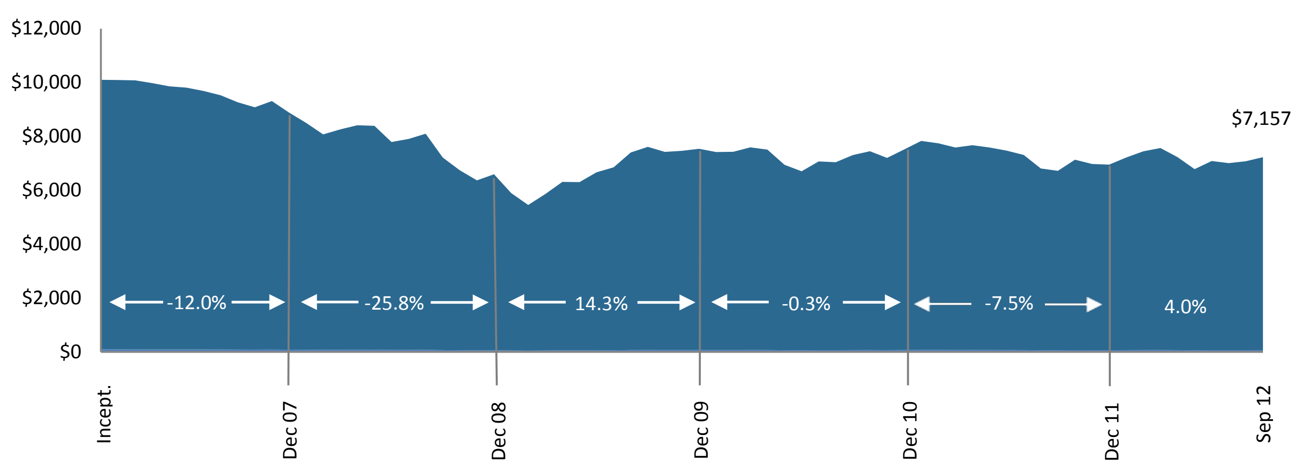
One Simple Fee 1.78% (or less)

Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
Global Equity Fund	**2.0%**	**4.0%**	**7.5%**	**-0.5%**	**-1.7%**	**-4.8%**	**-5.8%**
MSCI World Index ($Cdn)	3.1%	9.8%	15.8%	6.0%	5.0%	-1.8%	-2.8%

*Feb. 13, 2007

Growth of $10,000 Since Inception



Small-Cap Equity Fund

Market Overview

- The Canadian small-cap market rebounded on strength in resource stocks, notably gold companies. The BMO Small-Cap Index gained 10.2% in the quarter.
- Industrial and financial stocks have been the strongest performers in 2012 and the index is up 3.6% year-to-date.

Portfolio Specifics

- The fund holds 15 stocks, with market capitalizations ranging from $35 million to $2 billion. The weighted average market capitalization of the portfolio is roughly $850 million.
- Company balance sheets remain in good shape and the portfolio's holdings are generating healthy profits.
- The fund's resource-focused investments turned in strong gains, with *Coastal Energy*, *Primero Mining* and *Palliser Oil & Gas* all up over 35%.
- With the fund's strong appreciation over the past year (+29%), some stock valuations are approaching expensive territory. The manager, Wil Wutherich, sold or trimmed a few positions as a result.
- Wutherich foresees further adjustments if the uptrend continues (a nice problem to have). He's also closely evaluating a few new ideas as two investments were recently sold (*Pure Technologies*, *Shoppers Drug Mart*).
- The cash position currently sits at 16%. The manager anticipates a portion of this will be put to work in the near term.

Notable Transactions

- *Pure Technologies* was sold. The stock had a strong run since it was purchased in January and the manager felt it was wise to book the profits.
- *Shoppers Drug Mart* was also sold. Wutherich still likes the company but feels the regulatory headwinds it's facing are too strong.
- Additional shares were purchased in *Glacier Media* and *Iridium Communications*, among others.

Positioning

- Aside from the above-mentioned transactions, the portfolio's holdings and structure have remained largely intact thus far in 2012 – a reflection of the manager's low turnover style.
- The fund got a little smaller in average market capitalization with the sale of Shoppers Drug Mart (which had the largest market cap in the fund, at $8.5 billion).

While companies continue to generate strong profits, a stellar year for the portfolio has led to some investments being sold or trimmed

Cash

Concentration

Gold

Oil & Gas

Coastal Energy, Total Energy, Palliser

Steady profits

Technology

MacDonald Dettwiler, Calian Technologies

Small-Cap Equity Fund

Top Holdings*

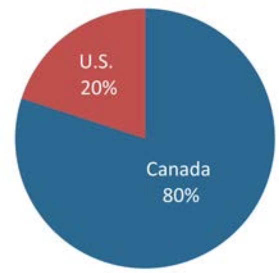
Iridium Communications	7.8%
Medical Facilities	7.4%
MacDonald Dettwiler	7.4%
Stantec	6.9%
Hibbett Sports	6.7%
Total Energy Services	6.4%
Badger Daylighting	5.9%
Canadian Helicopters	5.7%
Parkland Fuel	5.6%
Primero Mining	5.5%

*As of July 31, 2012

Sector Allocation (Equities)

Energy	23.6%
Industrials	23.3%
Information Technology	19.2%
Consumer Discretionary	11.8%
Health Care	8.6%
Telecom Services	7.0%
Materials	6.5%

Geographic Profile (Equities)



Transactions

+	-
Iridium Comm. Glacier Media Palliser	Pure Tech Shoppers Drug Mart

Asset Mix

Equities	83.5%
Cash & Short-term	16.5%

Fund Size / Concentration

Net Assets	$29,291,623
Number of stocks	15

Fee

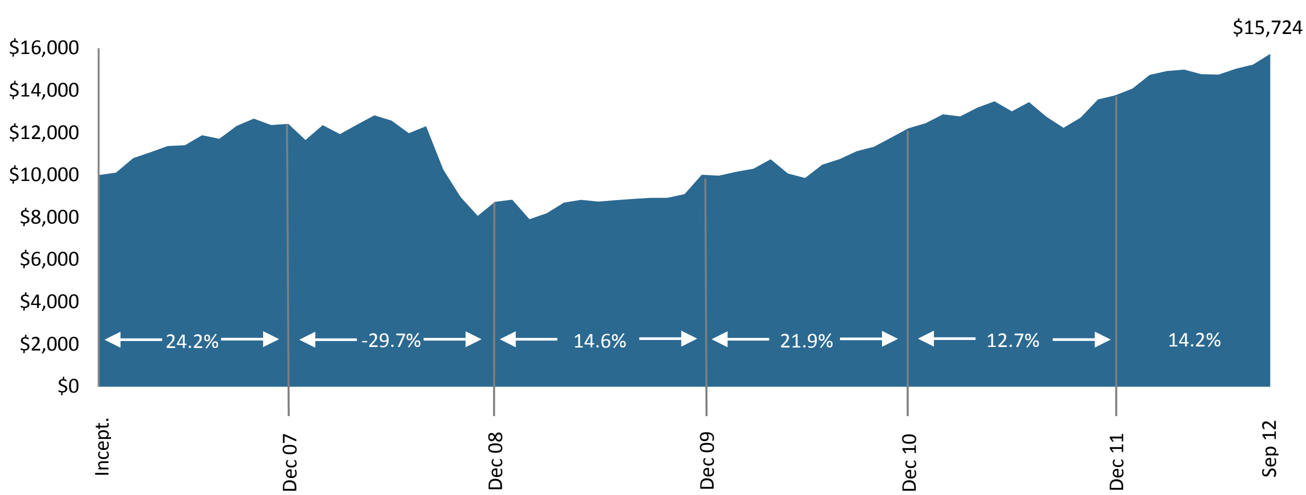
One Simple Fee 1.78% (or less)

Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
Small-Cap Equity Fund	**6.6%**	**14.2%**	**28.5%**	**18.9%**	**20.8%**	**5.0%**	**8.4%**
BMO Small Cap Index	10.2%	3.6%	9.0%	3.2%	11.8%	2.0%	2.3%

*Feb. 13, 2007

Growth of $10,000 Since Inception



Savings Fund

In a low interest rate environment, the fund is concentrated in corporate notes and provincial T-Bills

Market Overview

- The Bank of Canada left its key short-term lending rate unchanged in the quarter at 1.0%. It has been at this level since September 2010.
- The central bank noted that economic growth in Canada is expected to pick up through 2013, with consumption and business investment being key drivers, but a number of global headwinds are restraining economic activity (decelerating growth in China, recession in Europe, strength of loonie).
- The Bank expects core inflation to remain at around 2% over their forecast horizon.

Portfolio Specifics

- With the government's key lending rate remaining close to historic lows, it is a difficult environment to add yield in the portfolio.
- The manager, Connor, Clark & Lunn, added some additional commercial paper (short-term debt issued by corporations) to the fund.
- Provincial T-Bills continue to provide a yield advantage of 10-12 basis points (0.10% - 0.12%) over Government of Canada T-Bills. Due to this attractive spread, the manager is concentrating on provincial rather than federal T-Bills.
- There was little change to the portfolio's structure. Corporate notes (which include bank paper and corporate paper) comprise the bulk of the fund, at 67%. Provincial T-Bills make up the balance (33%).
- The average term to maturity of the portfolio remains shorter than normal.
- The pre-fee yield of the fund at the end of September was 1.2%.

Notable Transactions

- The manager added more commercial paper to the portfolio, while its weighting in bank paper declined modestly.
- No money was allocated to federal T-Bills.

Positioning

- As has been the case over the last few quarters, CC&L continues to structure the portfolio with a shorter-than-normal average term-to-maturity and expects to maintain this positioning until the market starts to anticipate future rate hikes by the Bank of Canada.
- Short-term interest rates are still very low and we have maintained a reduced fee on the fund (0.20%) to help provide a reasonable yield for unitholders.

Bank paper

Short maturity

Federal T-Bills

Provincial T-Bills

Commercial paper

Reduced fee

Savings Fund

Top Holdings

Ontario T-Bills (02/20/13)	14.7%
Quebec T-Bills (12/14/12)	11.0%
Royal Bank B/A (11/30/12)	7.4%
TD BDN (01/03/13)	6.8%
BMO B/A (11/30/12)	6.3%
CIBC B/A (10/26/12)	5.2%
National Bank (10/29/12)	4.7%
BNS B/A (02/27/13)	4.7%
GE Capital C/P (01/07/13)	4.2%
B.C. P/N (11/22/12)	3.7%

Yield

7-day Yield* 1.2%

**This is an annualized historical yield (net of fess) based on the seven day period ended on September 30, 2012, and does not represent an actual one year return.*

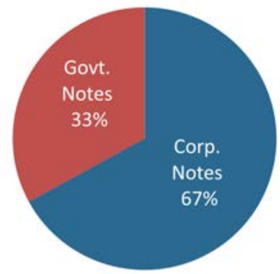
Fund Size

Net Assets $7,599,913

Fee

One Simple Fee 0.65% (or less)

Issuer Allocation

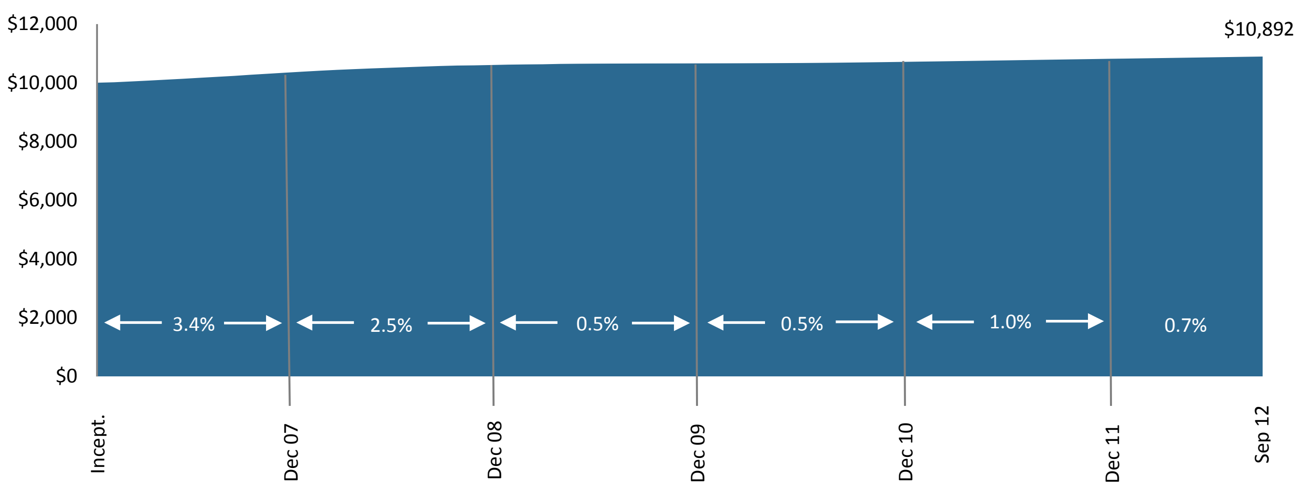


Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
Savings Fund	**0.2%**	**0.7%**	**1.0%**	**1.0%**	**0.7%**	**1.3%**	**1.5%**
DEX 91 Day T-Bill Index	0.2%	0.7%	0.9%	1.0%	0.8%	1.5%	1.8%

*Feb. 13, 2007

Growth of $10,000 Since Inception



Stock Snapshot – novozymes

Overview

Novozymes is a Danish biotechnology company that researches, produces and sells enzymes for industrial use. The company's products help enhance productivity and sustainability in a number of industries including agriculture (healthier crops and better yields), bioenergy (biofuel production), pharmaceuticals (safer and more consistent products), food & beverages (food production), household care (cleaning products), and wastewater (biological wastewater treatment), among others.

The stock is held in our Equity Fund (1.9% position size).

Investment Case

Novozymes is a global leader in the industrial enzyme business, in which it has a 47% market share (double the share of its closest competitor). The enzyme market has high barriers to entry and offers exposure to significant mega-trends such as CO_2 reduction, sustainability, resource scarcity and nutrition. Novo has been in business since 1925 and has a strong track record of growth and innovation. Its products are used in 40 different industries across 130 countries.

The company has a Research and Development (R&D) budget that is double that of its competitors, which has translated into a leading product portfolio, and in turn, attractive revenue growth and a high return on invested capital. Indeed, Novozymes is one of the few businesses in the world that has consistently grown its earnings per share over the last decade, helped by a diverse product lineup and growing demand for its solutions.

Another attractive feature of the business is its development (in progress) of cellulosic ethanol (fuel produced from wood, grasses or the inedible part of plants). This division is not expected to produce significant sales until 2014, but it could represent a meaningful catalyst to revenues and growth in the future.

Risks to Outlook

A key risk to the stock's outlook is the emergence of new technologies that reduce the use of and/or need for enzymes. A pullback in government support for ethanol could also hurt the stock. As well, Novo trades at a relatively high price-to-earnings multiple (P/E) and therefore has a lower margin of safety.

An interesting fact: Industrial and household detergents are the largest application area for enzymes today. Enzymes help reduce energy consumption by enabling lower washing temperatures, and they help rejuvenate cotton fabric, among other benefits.

Markets climbed the proverbial wall of worry in the quarter. So did we.

Disclaimers

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