

Q3

2011

“While investors are feeling anything but settled with these volatile markets, we quietly welcome it. Why? Market volatility creates market inefficiency. Fear and panic leads to a dislocation between the price that a stock is quoted for and the value of the underlying business.”

- CGOV (manager of the Steadyhand Equity Fund)

Bradley's Brief



I thought summers were supposed to be fun.

It's a fact: Stock prices zig and zag more than the fundamentals of the companies that underpin them. Over the course of the last six months, the outlook for corporate profits has worsened, but stock markets seem to have overreacted again. The Canadian market was down 12% in the quarter and the world index down 10% in Canadian dollar terms.

As wild as it's been for stocks, the most striking feature of the current landscape is bonds. From already low levels (unsustainably low in my view), yields declined significantly in the third quarter. The result was the best quarter for bond returns since 1996

(remember, when yields fall, bond prices rise).

There are many who say we'll be in a low return environment for the next decade. That may be the case for some asset classes, particularly ones that are carrying high valuations like bonds and Canadian real estate, but stocks shouldn't be on the list. Corporations are in fabulous shape and their stock prices already reflect anemic economic growth. In meetings with our equity managers over the last few weeks, this was confirmed repeatedly. They're excited about the assets they're able to buy now.

In our client presentations at the beginning of the year, I used a range of 5-8% for equity returns over the next 5-10 years. In light of the price declines, my long-term outlook is now 7-10% per year. So to be clear - *Expected returns for stocks have gone up and going forward, you should expect solid, albeit bumpy, returns from the equity funds.*

For clients who want to fine-tune their portfolio around their strategic asset mix, we've been recommending they reduce their bonds to a minimum level and put the money into stocks. We've suggested leaving their cash reserve in place. Short-term investments don't earn much right now, but provide downside protection and ammunition for further stock purchases. For a full description of our current view, see *The Grip* on page 3.

Before closing, there are a few things to tell you about Steadyhand:

- We recently updated the 'eat-our-own-cooking' index, otherwise known as co-investment. It shows that Steadyhanders have 80% of their financial assets invested in the funds.
- This week we pushed the button on a new home page at steadyhand.com. Changes were made to clarify our message and bring back some of our old zip. Specifically, we wanted viewers to know that we provide advice (if needed) and that our clients are all good looking.
- We're experiencing a noticeable increase in interest for our services (don't worry, we'll still answer your calls promptly). The encouraging thing is that our new clients are coming from all directions and are often referred to us by an existing client (thank you, thank you) or financial planner. It's also helped that we've had a steady flow of PR in the last few months (MoneySense Magazine, Financial Post, Gordon Pape).

If you need information or help with anything in these trying times, don't hesitate to call Chris, Scott, David or me. We'd welcome the chance to provide a steady hand.

A handwritten signature in cursive script, appearing to read "James".

Takeaways

Stocks

- Stocks had a rough quarter, with debt concerns and political gridlock overhanging the markets. The Canadian market (S&P/TSX Composite Index) dropped 12% while the MSCI World Index lost 10%. Both indices are now down over the past year (-3.6% and -3.0%, respectively).
- Many European markets were hard hit, with Italy, France and Germany all dropping roughly 25%.
- The small-cap market also took it on the chin, falling 15%.

Fear and panic was rampant. Most equity markets suffered double-digit declines, while the bond market had its strongest quarter since 1996

Bonds

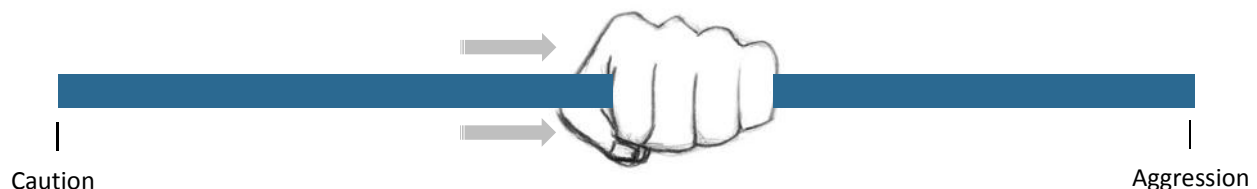
- The Canadian bond market had its strongest quarter in 15 years, with the DEX Universe Index gaining 5.1%. Over the past year, it returned 6.7%.
- Government bond yields declined significantly: 10-year Government of Canada yields fell 1%, and now stand at roughly 2.1% - lower than they were during the worst of the credit crisis.
- Corporate bonds had a good quarter, but not to the same extent as 'Canadas'. Spreads (the difference in yield between corporate and government bonds) widened from 100 basis points (1.00%) to 160 bps.

Our Funds

- Our portfolios declined, but held up better than the market. Their focus on high-quality, non-speculative companies helped dampen negative returns.
- Balanced clients experienced returns in the -1% to -5% range in the quarter, depending on their asset mix.

The Grip

Our view on how your portfolio should be positioned **in relation to your long-term asset mix**.



With further advances in bond prices and a meaningful retrenchment in stocks, our asset mix barometer has shifted to the right. Our advice to clients is to move some money out of bonds (Income Fund), add to the equity funds, and continue to hold some cash on the sidelines. For example, clients with a strategic asset mix of 50% bonds / 50% stocks should consider holding 35-40% bonds, 50-55% stocks, and 5-10% cash. The steps recommended may be the first of a series, as we don't know what the markets are going to do in the short term. We do know, however, that bonds look expensive and stock valuations are attractive. **Questions? 1-888-888-3147.**

Steadyhand Portfolios (Hypothetical)*

Compound Annualized Returns

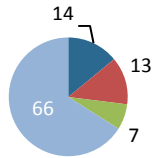
Income Fund

Equity Fund

Global Equity Fund

Small-Cap Equity Fund

Balanced Income Portfolio

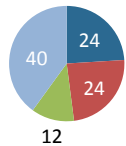


Long-term asset mix:

Fixed Income – 50%
Cdn Equities – 30%
U.S. Equities – 10%
Overseas Equities – 10%

| | 3 M | YTD | 1 Y | 2 Y | 3 Y | 4 Y |
|--|-------|------|------|------|------|------|
| | -2.9% | 0.2% | 3.1% | 6.6% | 7.0% | 3.1% |

Balanced Equity Portfolio

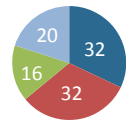


Long-term asset mix:

Fixed Income – 30%
Cdn Equities – 34%
U.S. Equities – 18%
Overseas Equities – 18%

| | 3 M | YTD | 1 Y | 2 Y | 3 Y | 4 Y |
|--|-------|-------|------|------|------|------|
| | -5.3% | -2.6% | 1.7% | 4.7% | 4.5% | 0.3% |

Growth Portfolio

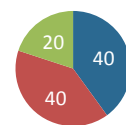


Long-term asset mix:

Fixed Income – 15%
Cdn Equities – 37%
U.S. Equities – 24%
Overseas Equities – 24%

| | 3 M | YTD | 1 Y | 2 Y | 3 Y | 4 Y |
|--|-------|-------|------|------|------|-------|
| | -7.1% | -4.8% | 0.6% | 3.2% | 2.6% | -1.9% |

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 | 4 Y |
|--|-------|-------|-------|------|------|-------|
| | -8.9% | -6.9% | -0.5% | 1.6% | 0.5% | -4.1% |

Capital Market Performance

| | 3 M | YTD | 1 Y | 2 Y | 3 Y | 4 Y |
|--------------------------|--------|--------|-------|-------|-------|-------|
| DEX 91 Day T-Bill Index | 0.3% | 0.8% | 1.0% | 0.7% | 0.9% | 1.6% |
| DEX Universe Bond Index | 5.1% | 7.4% | 6.7% | 7.0% | 8.1% | 7.2% |
| S&P/TSX Composite Index | -12.0% | -11.9% | -3.6% | 3.7% | 2.7% | -1.9% |
| BMO Small Cap Index | -14.9% | -18.4% | -2.3% | 13.2% | 12.6% | 0.3% |
| S&P 500 Index (\$Cdn) | -6.4% | -4.1% | 3.1% | 4.3% | 0.7% | -3.9% |
| MSCI World Index (\$Cdn) | -10.1% | -7.9% | -3.0% | 0.0% | -0.2% | -5.8% |

*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.

Income Fund

Market Overview

- The bond market had its strongest quarter since 1996, gaining 5.1%. The increase was driven by government bonds, which were in high demand.
- It was a painful quarter in the equity markets, spurred by a downgrade of the U.S. government's debt and ensuing plunge in investor confidence.
- The Canadian stock market was hit hard (-12%), anchored by resources.

Portfolio Specifics

- The yield on 10-year government bonds dropped by 1% (a big move), which led to large price gains. Yields, which are now at 2.1%, stand at levels not seen since the 1940s. Corporate bonds also performed well, but not to the same extent. The spread between governments and corporates has widened, and CC&L (the manager) feels valuations for the latter are much more attractive. 40% of the fund is invested in corporate bonds.
- The bond portion of the portfolio didn't keep pace with the market due primarily to the fund's much heavier exposure to corporates.
- Global economic risks have undeniably increased. As such, the manager's objective is to minimize the fund's volatility while not ignoring the fact that government bonds – which are perceived to have the highest level of safety – look expensive and have minimal upside.
- CC&L reduced the portfolio's exposure to U.S. bank bonds and invested the proceeds in less volatile Canadian bank notes. They also trimmed the weighting in provincial bonds and moved down the risk spectrum, investing the proceeds in short-dated Canada bonds.
- The fund's interest rate strategy is based on the view that short-term rates will rise more than long-term rates over the next few quarters.
- The fund's equities fell, but held up better than the overall market. This portion of the fund (29% of the portfolio) remains defensively positioned, with an emphasis on companies with growing dividends.

Notable Transactions

- CC&L trimmed certain U.S. corporate bonds and increased positions in less volatile Canadian bonds in the bank and insurance sectors.
- No new stocks were added to the portfolio.

Positioning

- CC&L's longer-term perspective is that interest rates will invariably rise and the best defense against this is a shorter than normal duration and a heavy emphasis on corporate bonds.
- A substantial change in investor confidence and market expectations, coupled with the threat of another recession, however, has led the manager to be more cautious. They are biding time to get more offensive in their interest rate and corporate bond strategies.

Emphasis remains on corporate bonds but the manager is leaning toward caution until they see some favourable developments on the economic/political front

Short
duration

Corporate
bonds

Bank bonds

Provincials

Government
bonds

Real estate

Dividend
growth

Income Fund

Top Holdings

| | | | |
|---------------------|--------|------------|------|
| Canada | 2.00% | (08/01/13) | 3.9% |
| TD | 7.243% | (12/31/18) | 2.8% |
| RBC YC | 1.099% | (03/16/12) | 2.8% |
| BNS BDN | 1.00% | (12/31/18) | 2.6% |
| Ontario | 4.65% | (06/02/41) | 2.4% |
| Canada | 5.00% | (06/01/37) | 2.3% |
| TD | 5.763% | (12/18/17) | 2.1% |
| BNS | 3.61% | (02/22/16) | 2.1% |
| BMO | 2.96% | (08/02/16) | 2.0% |
| Bank of Nova Scotia | | | 1.6% |

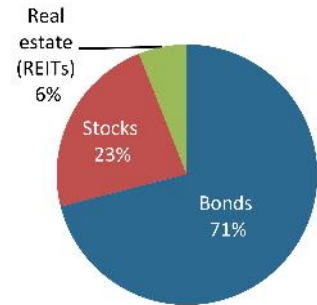
Issuer Allocation (Bonds)

| | |
|------------------------|-------|
| Federal Govt. Bonds | 18.3% |
| Provincial Govt. Bonds | 20.2% |
| Corporate Bonds | 61.5% |

Rating Summary (Bonds)

| | |
|---------------|-------|
| AAA | 26.2% |
| AA | 33.0% |
| A | 29.8% |
| BBB | 11.0% |
| BB (or lower) | 0.0% |

Asset Mix



Stock Transactions

| + | - |
|-------------|----------------|
| TransCanada | Chartwell |
| IBI Group | First Capital |
| CML Health | Crescent Point |
| H&R REIT | |

Portfolio Summary (Bonds)

| | |
|-----------------------|----------|
| Avg. Term to Maturity | 9.0 yrs. |
| Duration | 6.1 yrs. |

Fund Size / Yield

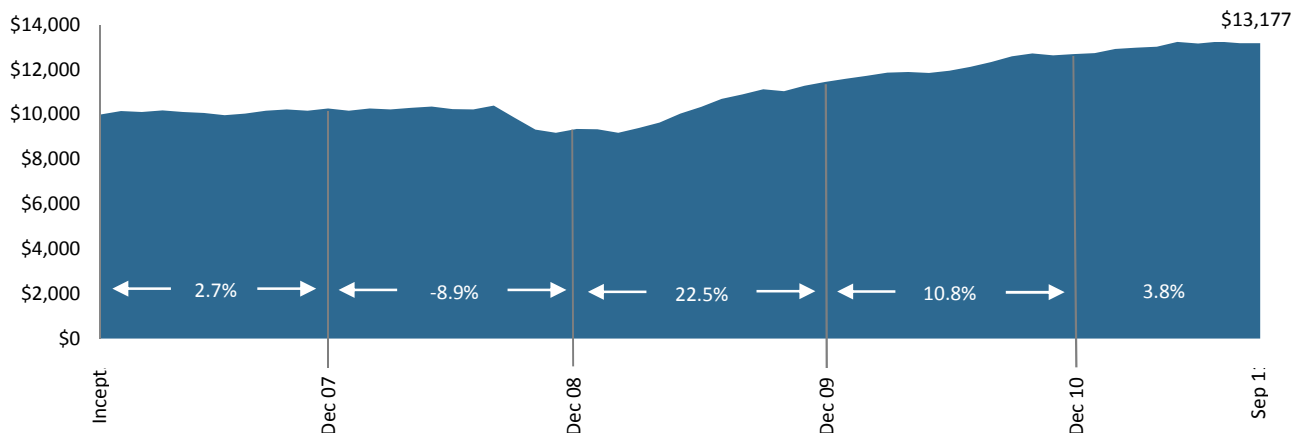
| | |
|---------------|--------------|
| Net Assets | \$51,192,266 |
| Pre-fee Yield | 3.8% |

Compound Annualized Returns

| | 3 M | YTD | 1 Y | 2 Y | 3 Y | 4 Y | Incept* |
|-------------------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|
| Income Fund | 0.1% | 3.8% | 4.7% | 8.8% | 10.2% | 6.7% | 6.1% |
| DEX Universe Bond Index | 5.1% | 7.4% | 6.7% | 7.0% | 8.1% | 7.2% | 6.4% |
| S&P/TSX Composite Index | -12.0% | -11.9% | -3.6% | 3.7% | 2.7% | -1.9% | 0.4% |

*Feb. 13, 2007

Growth of \$10,000 Since Inception



Equity Fund

Market Overview

- The Canadian market (S&P/TSX Composite Index) fell 12.0%, driven in part by a pullback in commodity prices (oil dropped 17%).
- U.S. and overseas markets were also hit hard. Cyclical stocks (materials, energy, financials) turned in the worst performance.

Portfolio Specifics

- Emphasis remains on high-quality companies with reasonably predictable revenues. The bulk of these businesses operate in the consumer, oil & gas, industrial and financial sectors.
- The manager, CGOV, has been increasing the fund's exposure to faster growing Asian economies by investing in well-established, reputable consumer-oriented businesses that have growing revenue streams in these markets. Examples: *Unilever*, *Asia Pacific Breweries*, *Mead Johnson* (new), *Dairy Farm International* (new).
- Close attention is paid to balance sheets and dividends. Specifically, the manager looks for companies that have the financial strength to pay a rising dividend. 17 of the fund's 25 holdings have raised their dividend this year (by an average of 20%), and the portfolio has a yield of 2.6%.
- The recent panic has been quietly welcomed, as it has led to greater price inefficiencies. The manager has been able to dampen volatility by trading around core positions (trimming on strength, buying on weakness). Recently, a number of holdings hit their price targets and CGOV was active buyers. Examples: *Ritchie Bros.*, *Lincoln Electric*, *Potash Corp.*
- *Research in Motion* remains a problem child. RIM has clearly mis-executed. The stock is dirt cheap, however, and a reversal in sentiment could trigger a big rebound. CGOV will be closely gauging consumer interest at RIM's upcoming developer conference, where it unveils its new QNX product.
- The fund has been holding a higher cash position than is typical (7%) so that the manager can continue to act quickly on purchase opportunities.

Notable Transactions

- *Mead Johnson*, *Dairy Farm International* and *Canadian National Railway* were added to the fund.
- *Shoppers Drug Mart* and *Cisco Systems* were sold, as they held up well during the volatility over the summer and better opportunities arose. *Nalco* was also sold following a takeover offer.

Positioning

- The fund continues to be defensively positioned, with an emphasis on financially stable, high cash-generating businesses. Sour markets have meant the portfolio has gotten cheaper and the manager feels there is limited downside (-10%) and attractive appreciation potential (50%).

"We can capitalize on lower share prices resulting from panicked investors, margin calls, and economic events that may have little impact on the operations of the businesses we own" - CGOV

Rising dividends

Gold

Consumer Staples ➤ Emerging markets

Stable revenues

Defensive

Oil & Gas

Equity Fund

Top Holdings

| | |
|------------------------|------|
| Crescent Point Energy | 5.9% |
| Novartis | 5.5% |
| Unilever | 5.1% |
| Suncor Energy | 4.9% |
| Asia Pacific Breweries | 4.7% |
| TD Bank | 4.7% |
| Lincoln Electric | 4.2% |
| CVS Caremark | 4.2% |
| TMX Group | 4.2% |
| Birchcliff Energy | 4.1% |

Sector Allocation (Equities)

| | |
|------------------------|-------|
| Energy | 20.1% |
| Consumer Staples | 20.0% |
| Industrials | 17.9% |
| Financials | 16.4% |
| Materials | 9.4% |
| Information Technology | 6.3% |
| Health Care | 5.9% |
| Telecom Services | 4.0% |

Geographic Profile (Equities)



Transactions

| + | - |
|------------------|---------------|
| CN Rail | Shoppers DM |
| Dairy Farm Intl. | Cisco Systems |
| Mead Johnson | Nalco |
| Novartis | Compass |

Asset Mix

| | |
|-------------------|-------|
| Equities | 93.1% |
| Cash & Short-term | 6.9% |

Fund Size / Concentration

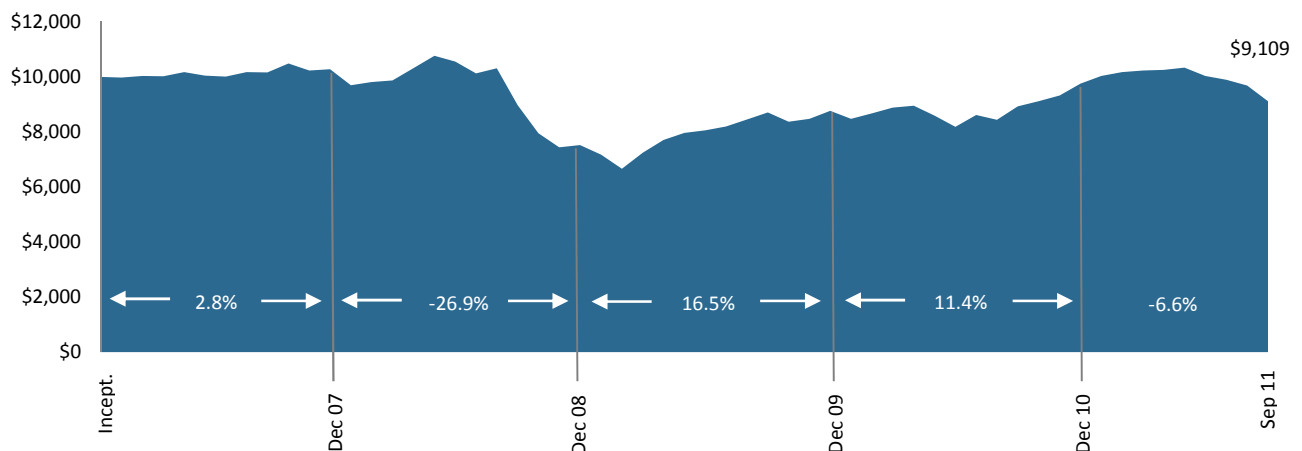
| | |
|------------------|--------------|
| Net Assets | \$33,351,690 |
| Number of stocks | 25 |

Compound Annualized Returns

| | 3 M | YTD | 1 Y | 2 Y | 3 Y | 4 Y | Incept* |
|--------------------------|--------------|--------------|-------------|-------------|-------------|--------------|--------------|
| Equity Fund | -9.2% | -6.6% | 2.1% | 2.3% | 0.5% | -2.7% | -2.0% |
| S&P/TSX Composite Index | -12.0% | -11.9% | -3.6% | 3.7% | 2.7% | -1.9% | 0.4% |
| MSCI World Index (\$Cdn) | -10.1% | -7.9% | -3.0% | 0.0% | -0.2% | -5.8% | -6.3% |

*Feb. 13, 2007

Growth of \$10,000 Since Inception



Global Equity Fund

Market Overview

- Confusing. Frustrating. Ugly. Take your pick. It was a glum quarter for global stock markets. Debt issues and uncertainty spooked investors, and most major stock markets suffered double-digit losses.
- The Canadian dollar depreciated against most key currencies, notably the U.S. dollar (-7%) and yen (-11%), which was a positive for investors.

Portfolio Specifics

- The emphasis is on stocks with low valuations and realistic (low) growth expectations. The manager feels attention will revert to these companies, as the current market darlings (e.g., luxury goods) have overly-optimistic growth assumptions and are likely to disappoint.
- Europe remains an area of focus. Headlines are grim but many stocks are as cheap as they've ever been. Companies with a broad revenue base and growing exposure to emerging markets are being punished due to their head office address. Examples: *Unilever, ENI, Deutsche Post, Heineken*.
- Mature technology companies (*Cisco, Intel, Microsoft*) continue to present compelling value. They're not going to grow their earnings by 15% per year, but can reasonably grow at 5-6%, and on this basis look cheap.
- Banks have been challenging investments but have attractive upside potential. *Intesa* and *RBS* are being weighed down by sovereign debt concerns (Italy and Ireland), but appear to be adequately capitalized and could rebound sharply if the European fiscal impasse stabilizes.
- Japanese stocks had a rough quarter. Companies are trading at extremely low valuations, however, with Price-to-Earnings and Price-to-Book Value ratios not seen since the early 1970s.
- 30% of the companies' revenues are generated in the Asia-Pacific region (excluding Japan), an area of increasing significance in the portfolio.

Notable Transactions

- Four stocks were added to the fund: *Diageo, Illinois Tool Works, Japan Tobacco* and *SAP*.
- Four stocks were sold: *Mizuho Financial* (vulnerable balance sheet), *Bank of America* (material downside risk), *Symantec* (valuation), and *Kajima* (strong performance).

Positioning

- The manager feels dislocations in the market are severe. High growth stocks are trading at a premium, yet will be challenged to meet lofty expectations in a slow growth economy. Companies with more modest growth outlooks are being overlooked and are cheap on many measures.
- The fund has a bias toward large companies and a significant value tilt – its holdings are trading at very low valuations and have high dividend yields.

Almost every European market has a P/E below 10, and the dividend yield on the fund's European holdings is close to 5%

Asia-Pacific Low P/E

Value bias

Mature technology

Large cap

Peak margins Dividends

Europe

Global Equity Fund

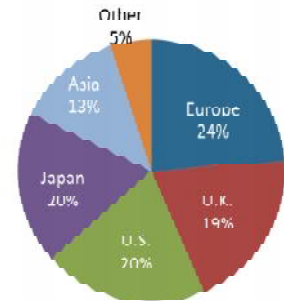
Top Holdings

| | |
|---------------------|------|
| China Mobile | 3.2% |
| Cisco Systems | 3.0% |
| ENI | 2.9% |
| Bridgestone | 2.8% |
| Unilever | 2.8% |
| Diageo | 2.8% |
| Sanofi-Aventis | 2.8% |
| Samsung Electronics | 2.7% |
| Microsoft | 2.7% |
| Vodafone | 2.7% |

Sector Allocation (Equities)

| | |
|------------------------|-------|
| Information Technology | 22.7% |
| Consumer Discretionary | 13.9% |
| Telecom Services | 13.1% |
| Consumer Staples | 13.1% |
| Energy | 10.2% |
| Financials | 9.5% |
| Industrials | 9.1% |
| Health Care | 8.4% |

Geographic Profile (Equities)



Transactions

| + | - |
|---------------|---------------|
| Diageo | Mizuho |
| Illinois TW | Bank of Amer. |
| Japan Tobacco | Symantec |
| SAP | Kajima |

Asset Mix

| | |
|-------------------|-------|
| Equities | 95.4% |
| Cash & Short-term | 4.6% |

Fund Size / Concentration

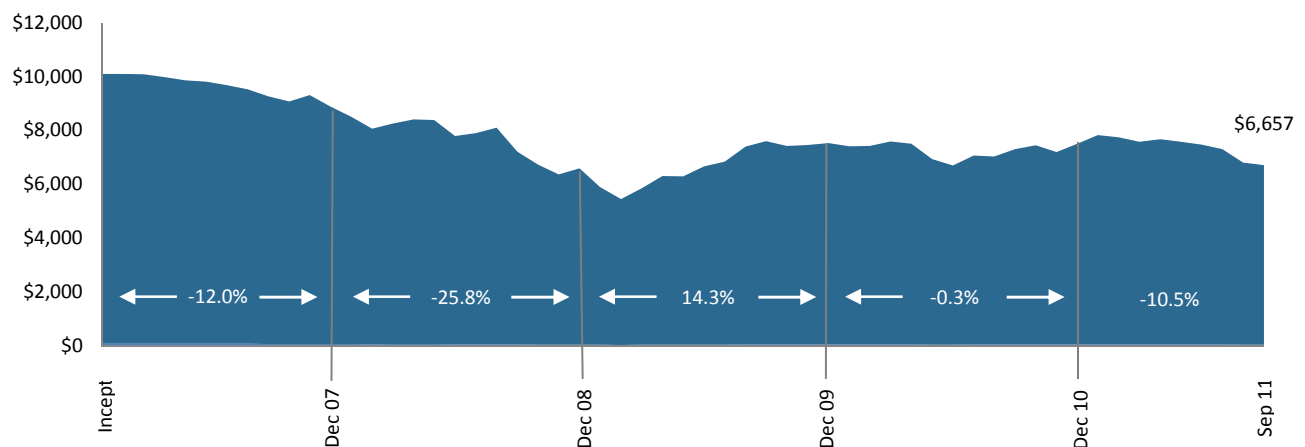
| | |
|------------------|--------------|
| Net Assets | \$20,241,199 |
| Number of stocks | 41 |

Compound Annualized Returns

| | 3 M | YTD | 1 Y | 2 Y | 3 Y | 4 Y | Incept* |
|---------------------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Global Equity Fund | -10.0% | -10.5% | -8.0% | -6.0% | -2.3% | -7.7% | -8.4% |
| MSCI World Index (\$Cdn) | -10.1% | -7.9% | -3.0% | 0.0% | -0.2% | -5.8% | -6.3% |

*Feb. 13, 2007

Growth of \$10,000 Since Inception



Small-Cap Equity Fund

Market Overview

- The small-cap market dropped 14.9% in the quarter, as measured by the BMO Small Cap Index. The decline was led by weakness in resource stocks.
- Every sector of the market lost ground, with mining-based stocks falling close to 30% as a group.

Portfolio Specifics

- The portfolio held up much better than the market due to its wider focus on profitable businesses outside the oil patch and mining field. The fund has significantly less exposure to resource stocks than the broader market, and this positioning helped dampen volatility. That said, fundamentals for many high-quality companies are being ignored, leading to extremes in valuations (cheap stocks). The manager, Wil Wutherich, is seeing many “10’s and 5’s” – companies trading at 10x earnings and 5x times cash flow – similar to the values he was finding in late 2008.
- A pullback in the resource sector has prompted more research in Alberta, but Wutherich feels the stocks on his watch list still aren’t cheap enough.
- Negative sentiment is creating trading opportunities in holdings such as *Stantec* and *Total Energy Services*, positions that the manager increased in the quarter after trimming on price strength earlier in the year.
- While Wutherich doesn’t buy stocks specifically for their dividends, a number of holdings have very attractive yields. Examples: *Alaris* (6.2%); *Badger* (5.7%); *Medical Facilities* (9.9%); *Calian Technologies* (5.5%).
- *Hibbett*, *Calian*, *Evertz*, and *Glacier Media* are among the holdings that have been buying back their own stock – a show of confidence by management that their company is undervalued.
- The manager has done some buying, but continues to hold over 10% cash in the event that panic leads to further opportunities.

Notable Transactions

- No new companies were added to the fund.
- Positions were increased in *Medical Facilities*, *Calian*, *Stantec*, *Total Energy Services* and *Easyhome*.
- *Coastal Energy* and *Canadian Helicopters* were trimmed following strong price appreciation.

Positioning

- The emphasis remains on non-speculative businesses that can self-finance their growth and trade at reasonable valuations.
- The portfolio is well diversified, with a focus on industrial and consumer-oriented stocks.
- The manager continues to have a high degree of confidence in his best ideas (the top ten holdings make up 60% of the fund).

The portfolio’s modest exposure to resource stocks helped dampen volatility in a quarter where commodities pulled back significantly

Non-speculative

Mining

Similarities
to 2008

Share
buybacks

Dividends

“10’s & 5’s”

Valuation

Dry powder

Small-Cap Equity Fund

Top Holdings*

| | |
|------------------------|------|
| Canadian Helicopters | 9.6% |
| Coastal Energy | 8.0% |
| Medical Facilities | 6.3% |
| Primero Mining | 6.3% |
| Iridium Communications | 6.1% |
| Shoppers Drug Mart | 5.6% |
| Calian Technologies | 5.3% |
| Badger Daylighting | 5.3% |
| Alaris Royalty Corp. | 4.9% |
| Stantec | 4.9% |

Sector Allocation (Equities)

| | |
|------------------------|-------|
| Industrials | 24.2% |
| Consumer Discretionary | 16.0% |
| Information Technology | 15.4% |
| Energy | 12.5% |
| Health Care | 7.6% |
| Consumer Staples | 7.1% |
| Telecom Services | 6.0% |
| Financials | 5.8% |
| Materials | 5.4% |

Geographic Profile (Equities)



*As of July 31, 2011

Transactions

| | |
|---|----------------------------------|
| + | - |
| Stantec Medical Fac. Calian Total Energy | Coastal Energy Cdn Helicopter |

Asset Mix

| | |
|-------------------|-------|
| Equities | 87.4% |
| Cash & Short-term | 12.6% |

Fund Size / Concentration

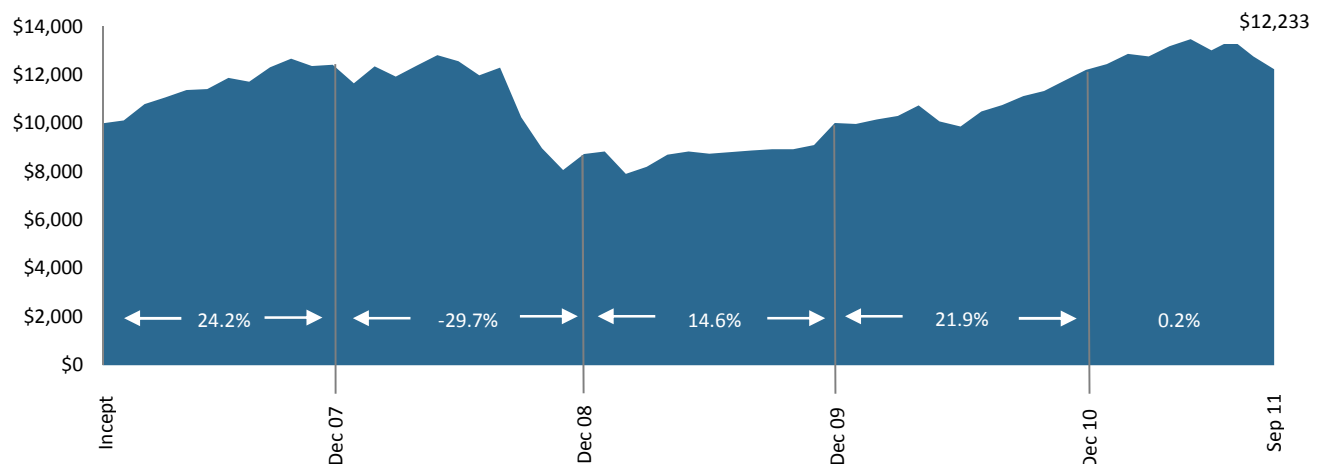
| | |
|------------------|--------------|
| Net Assets | \$19,299,116 |
| Number of stocks | 16 |

Compound Annualized Returns

| | 3 M | YTD | 1 Y | 2 Y | 3 Y | 4 Y | Incept* |
|------------------------------|--------------|-------------|-------------|--------------|-------------|--------------|-------------|
| Small-Cap Equity Fund | -6.0% | 0.2% | 9.9% | 17.1% | 6.0% | -0.2% | 4.5% |
| BMO Small Cap Index | -14.9% | -18.4% | -2.3% | 13.2% | 12.6% | 0.3% | 1.0% |

*Feb. 13, 2007

Growth of \$10,000 Since Inception



Savings Fund

Market Overview

- The Bank of Canada left its key short-term lending rate unchanged in the quarter, at 1.0%.
- In its September statement, the central bank noted that the need to withdraw stimulus (low lending rates) has diminished, as the global economic outlook has deteriorated and financial conditions in Canada have tightened.
- The Bank expects inflation to moderate, as higher food and energy prices unwind.

Portfolio Specifics

- With short-term interest rates hovering at historically low levels, it has been a challenging environment for money market investors.
- Provincial T-Bills offer a modest yield pick-up over Canada T-Bills, roughly 13 basis points (0.13%). About one-third of the fund is invested in these notes.
- Short-term debt instruments issued by the banks ('bank paper') continue to comprise a large portion of the portfolio (41%). These securities offer a yield advantage of roughly 30 basis points (0.30%) over Canada T-Bills.
- Corporate paper is yielding 50-55 basis points more than T-Bills. A little more than one-quarter of the fund is invested in these securities and the manager, CC&L, has been adding to them when attractive opportunities become available.
- The pre-fee yield of the fund at the end of September was 1.0%.

Notable Transactions

- CC&L still prefers provincial T-Bills over Canada T-Bills. The fund moved out of Canada's earlier in the year and continues to have no exposure to these securities.
- The weighting of bank paper was slightly decreased as holdings matured, and additional corporate paper was purchased.

Positioning

- The manager continues to keep the average term to maturity of the portfolio shorter than normal (less than three months), as they feel the Bank of Canada will look for an opportunity to raise rates.
- The focus remains on capital preservation and the manager will not unnecessarily stretch for yield.
- 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.

The manager continues to keep the average term to maturity of the portfolio shorter than normal in anticipation of rising rates

Shorter maturity

Corporate paper

Bank paper

Provincial T-Bills

Low yield; reduced fee

Savings Fund

Top Holdings

| | |
|----------------------------|------|
| Ontario T-Bills (11/16/11) | 8.4% |
| TD Bank BDN (01/18/12) | 8.3% |
| B.C. P/N (10/17/11) | 7.5% |
| Ontario T-Bills (12/07/11) | 7.5% |
| BC P/N (01/03/12) | 6.7% |
| GE Capital C/P (12/15/11) | 5.9% |
| BNS B/A (11/14/11) | 5.0% |
| Manulife BDN (11/21/11) | 4.2% |
| Brookfield C/P (12/16/11) | 4.2% |
| ERAC C/P (10/24/11) | 3.3% |

Yield

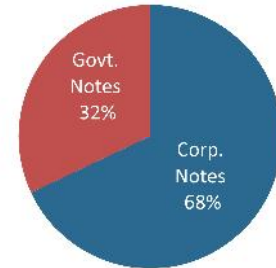
7-day Yield* 1.0%

**This is an annualized historical yield (net of fees) based on the seven day period ended on September 30, 2011, and does not represent an actual one year return.*

Fund Size

Net Assets \$5,961,844

Issuer Allocation

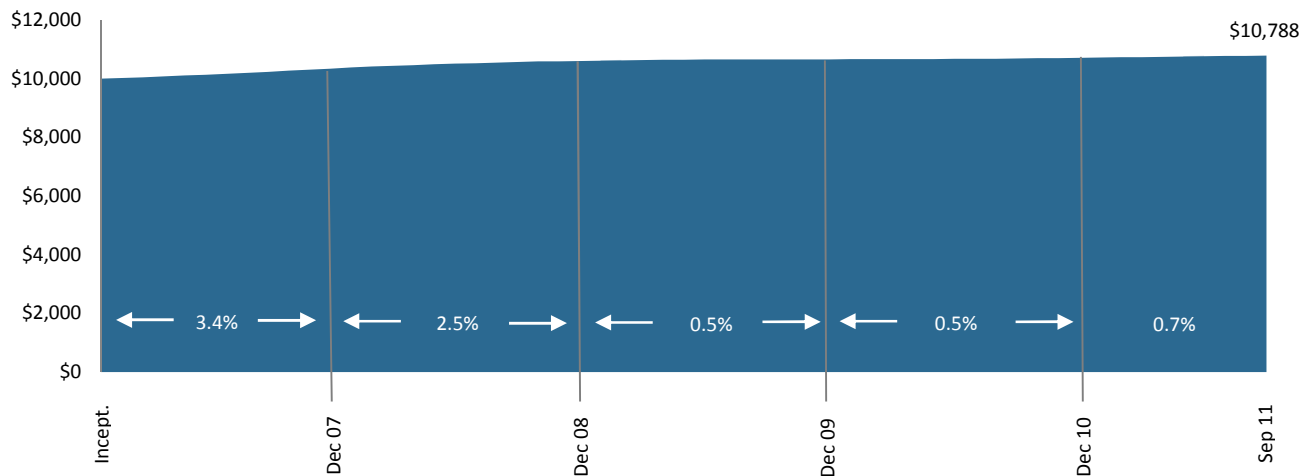


Compound Annualized Returns

| | 3 M | YTD | 1 Y | 2 Y | 3 Y | 4 Y | Incept* |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Savings Fund | 0.3% | 0.7% | 0.9% | 0.6% | 0.7% | 1.3% | 1.7% |
| DEX 91 Day T-Bill Index | 0.3% | 0.8% | 1.0% | 0.7% | 0.9% | 1.6% | 2.0% |

*Feb. 13, 2007

Growth of \$10,000 Since Inception



Stock Snapshot -

Overview

Mead Johnson Nutrition is a global leader in the pediatric nutrition market, which consists of infant formula and children's nutritional products. The Illinois-based company's products are used by millions of parents and healthcare professionals in over 50 countries around the world. Mead generated over \$3 billion in revenues in 2010.

The stock is held in our Equity Fund (3.5% position size).

Investment Case

Mead Johnson operates in an industry that is highly regulated and very brand sensitive, which provides strong barriers to entry. Further, the company's key product, *Enfamil*, is the world's leading pediatric nutrition brand. Mead also has a strong reputation for scientific research and nutritional expertise.

A particularly attractive attribute is the company's emerging market presence. Mead derives over 60% of its operating profits from Asia, Latin America and Eastern Europe, giving it one of the best emerging market franchises in the consumer staples sector. It has achieved impressive growth in markets such as China and Brazil, where personal incomes are rising and education in the area of infant and child nutrition is improving. The company also has an expanding footprint in the Middle East and is steadily building a presence in India.

From a financial standpoint, Mead has been effective at controlling costs and managing debt. The company generates significant cash flow and has excellent margins, while also investing significantly in research and development.

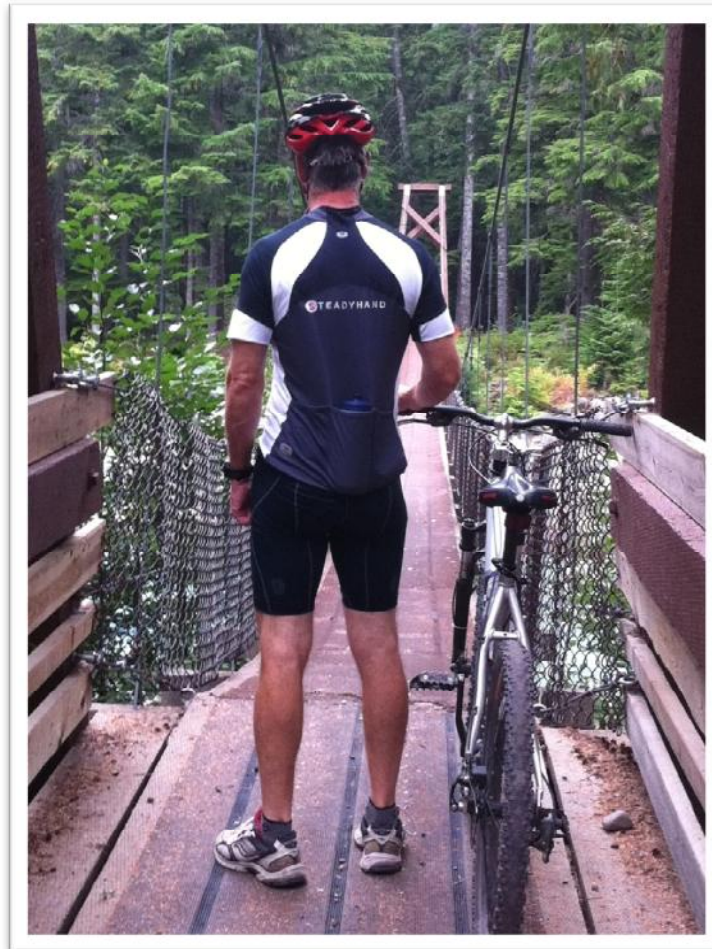
Risks to Outlook

The key risk the company faces is product quality. A product recall or related event could damage the company's reputation and market share. Competition is also a risk. With huge returns on invested capital, there is room to compete on price. Also, the oligopoly (there are 3 key players in the industry) could disintegrate and price wars break out. Input cost inflation is also a risk.

An interesting fact: Mead Johnson has experienced exceptional sales growth in China (including Hong Kong), where annual revenues have grown ten-fold over the past decade, from \$74 million in 2001 to \$745 million in 2010. Chinese parents have a strong preference for premium infant nutrition products.



Uncertainty was a common theme in the quarter, as David can attest



Disclaimers

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The performance data provided for the Steadyhand Savings Fund assumes reinvestment of distributions only and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. The indicated rates of return for the funds other than the Savings Fund are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual fund securities are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the funds will be able to maintain their net asset value per security at a constant amount or that the full amount of your investment in the funds will be returned to you. Past performance may not be repeated.

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First published on October 6, 2011, by Steadyhand Investment Management Ltd.