Showing you the money

Co-investment at Steadyhand

This document provides details on the level of co-investment among Steadyhand's employees and fund managers. We believe that our commitment to our approach and our clients is best exemplified by the significant investment of our own personal assets in our funds.

This is a supplementary document to a report titled *Show me the Money: The Importance of Co-Investment*, in which we take a closer look at why one of the most important characteristics to look for in a fund manager is whether their money is invested alongside their clients' money.

Co-investment at Steadyhand

Since we use sub-advisors to manage our funds, there are two levels of co-investment at Steadyhand: (1) the level of investment by our sub-advisors in their model portfolios, and (2) that of our employees in the Steadyhand funds.

The first measure may confuse some readers so clarification is necessary. We hire independent investment management firms (sub-advisors) to manage our funds. In the case of our equity funds, these are investment boutiques that manage money primarily for wealthy individuals and institutions. Each of our managers runs a 'model portfolio' upon which their clients' accounts are based. There is little slippage between the model portfolio and client accounts. We are a client of these firms and offer their model portfolio to investors in the form of a mutual fund (the Steadyhand funds). The average investor can't access these managers directly because they have very high minimum investment requirements.

In our search for managers, we looked for firms that had a high level of co-investment, among other criteria. We wanted the key stock pickers to be invested alongside our clients and our employees. In addition, we wanted our managers to have an ownership stake in their company, which is another important form of alignment between investor and manager.

The lead managers of our Equity Fund and Small-Cap Equity Fund have over 75% of their personal liquid assets invested in their model portfolio (this figure is substantially higher if their cash holdings are excluded). The manager of our Global Equity Fund does not make his holdings public, but holds equity ownership in his company, whose success depends largely on the performance of the portfolio he runs for his clients.

After partnering with these managers, we were prepared to invest much of our personal net worth with them. This was a key reason for founding Steadyhand – we wanted to find professionals who managed money the way we wanted our money managed.

On average, the level of co-investment among our employees is **81%.** This figure was arrived at by adding the market value of each employee's investments in the Steadyhand funds, as of June 30, 2010, to the value of any non Steadyhand holdings, including individual stocks, mutual funds or marketable securities held in personal investment accounts. In absolute terms, Steadyhand's employees and our families have **$15.0 million** invested in our funds.

These figures illustrate a significant personal commitment to our approach and managers. Further, in order to keep tabs on the competition, a small portion of some of our portfolios is invested with other managers. These are firms that we have come to know well and respect over the years. Many of us also have individual stock holdings in companies that we follow closely and have a keen interest in. Owning individual stocks enables us to keep our analytical skills sharp and keeps us tuned into the capital markets. By and large, however, the majority of our money is invested alongside our clients' money and our interests are well aligned.

Published on September 10, 2010, by Steadyhand Investment Funds Inc.