Q1
2013

> *"Europe is step-by-step addressing its issues; maybe not the way some people want, but it's happening."*
>
> - Craig Armour, Edinburgh Partners (manager of the Steadyhand Global Equity Fund

STEADYHAND

Bradley's Brief

"The Dow hit a new high. How much further can the market go? … Alcoa is the first major corporation to report quarterly earnings and will set the tone for what's to come … the technical indicators are telling us … time for a pullback … the next bull market starts in …"

The only time I watch business television is when I'm travelling and unfortunately, I've been on the road a lot lately. I listen to this stuff and it drives me crazy (ask Lori). I find myself talking to the screen, even screaming at it sometimes.

What about the Dow? It's a ridiculous index to begin with and the new high was overdue. The previous one was getting old (6 years). If the market goes up 20% over the next 3 years (a reasonable expectation), the Dow could hit 80 new highs. And are you kidding me? A highly cyclical aluminum producer is going to tell us anything about the ability of Cisco, CN Rail or BMO to generate long-term profits?

OK, I'll stop screaming and get back to the strategic asset mix (SAM) and let our fund managers pick the bonds and stocks. I'll just fine-tune the asset mix in the Founders Fund and try to avoid the hysteria and hyperbole.

On the fine-tuning front, the advice we've been giving our clients (and implementing in the Founders Fund) has had three primary themes: (1) bonds are expensive, so keep them to a minimum and focus on corporates; (2) cash acts as a safety net in the face of challenging economic times and provides liquidity to take advantage of market volatility; and (3) excellent corporate fundamentals and reasonable valuations suggest a full allocation to stocks with a tilt towards the foreign markets.

Given the fact that stock prices are meaningfully higher, where are we now on these themes?

With a steady stream of political-economic concerns gurgling to the surface, safety-seeking capital again pushed interest rates down in the first quarter, which means the bond-lite strategy has not yet borne fruit. I see no reason, however, to change course at this point. Federal Government bond yields are running at or below inflation (unsustainable by my reckoning) and yet, investors are extremely confident that rates are not going up. The combination of stretched valuations and investor complacency suggests caution.

I want to maintain the 10-15% cash reserve. I'm not brave enough to operate without a net just yet.

And as for stocks, the outlook is a little more subdued because returns have been good and valuations aren't as cheap as they were. Indeed, the safe, shiny, well-loved segments of the market (companies with predictable earnings and growing dividends) are on the expensive side. Having said that, the overall market multiples are well within the normal range, which means there are still plenty of opportunities for our managers to pursue.

I don't know where the markets are going, but the gap between expected bond and stock returns is still exceptionally wide. I'm not sure what to make of the short-term news, but I do want our clients to be invested in the asset classes that have the highest potential over 3-5 years, which means a full allocation to stocks. No foolin'.

Tom

Takeaways

Stocks had a strong start to the year with defensive sectors leading the way. The bond market also advanced, largely on strength in corporate bond prices.

Stocks

- Stock markets around the globe had a strong start to 2013. Japan (Nikkei 225 Index) was a standout in the quarter, rising 22%, while the U.S. (S&P 500 Index) also recorded an impressive gain of 11% (in U.S. dollars). The Canadian market (S&P/TSX Composite Index) gained a more modest 3%.
- Gold and other mining stocks were once again weak and continued to weigh on the TSX and the small-cap market. Companies with more stable earnings, such as consumer and health care stocks, fared well.

Bonds

- Interest rates remain at exceptionally low levels as central banks around the world continue to try to stimulate economic growth.
- The Canadian bond market returned 0.7% (income and capital appreciation), led by corporate and provincial bonds.
- 10-year government bond yields crept above 2% early in the year, but later declined as political issues in Europe flared up. They finished slightly lower for the quarter at 1.8%.

Our Funds

- Our portfolios fared well in the quarter. Balanced clients experienced returns in the 3% to 4% range, depending on their asset mix, and are up 9% to 10% over the past 12 months.
- A tilt towards foreign stocks has been a key factor in our portfolios' performance over the past several quarters and this bias remains in place.
- In the context of a balanced portfolio, key stock purchases in the quarter included *Westshore Terminals*, *Seven & I Holdings* and *TransGlobe Energy*. Notable sales included *Rogers Communications* and *SAP*.
- On the fixed income side, holdings remain focused in corporate and provincial bonds.

Our Advice to Clients

Our guidance remains unchanged. We continue to 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 healthy cash weighting (10-15%). This positioning reflects our view that bonds look expensive and stock valuations are reasonable in the context of a slow growth economy.

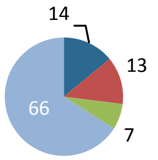
As a reminder, the asset mix of the Founders Fund best reflects our views on corporate fundamentals, valuations and asset mix. If you have any questions about your portfolio or asset mix, give us a call at **1-888-888-3147.**

Steadyhand Portfolios (Hypothetical)*

Compound Annualized Returns

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

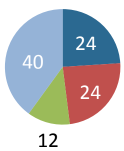
Balanced Income Portfolio



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%	3.3%	9.2%	7.6%	8.3%	6.3%

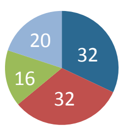
Balanced Equity Portfolio



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
4.0%	4.0%	10.2%	7.5%	8.3%	4.9%

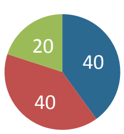
Growth Portfolio



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
4.7%	4.7%	10.9%	7.4%	8.2%	3.9%

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	5 Y
5.3%	5.3%	11.7%	7.3%	8.1%	2.7%

*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 the back page of this report for performance disclaimers. For further details on the portfolios, visit steadyhand.com/education/portfolios.

Capital Market Performance

	3 M	YTD	1 Y	2 Y	3 Y	5 Y
DEX 91 Day T-Bill Index	0.2%	0.2%	1.0%	1.0%	0.9%	1.1%
DEX Universe Bond Index	0.7%	0.7%	4.5%	7.1%	6.4%	5.9%
S&P/TSX Composite Index	3.3%	3.3%	6.1%	-2.1%	4.9%	2.1%
BMO Small Cap Index	1.2%	1.2%	-3.6%	-7.4%	4.7%	3.9%
S&P 500 Index ($Cdn)	12.9%	12.9%	15.8%	13.7%	12.7%	5.6%
MSCI World Index ($Cdn)	10.1%	10.1%	14.4%	9.1%	9.1%	2.6%

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.

We continue to have a bias towards foreign stocks and corporate bonds. The fund is also holding more cash than normal in lieu of gov't bonds.

Asset Mix

- Since inception (February 2012) the fund has maintained a full allocation to stocks (ranging from 58% to 64%) based on our view that valuations are reasonable and already reflect a slow growth, high risk economic outlook.
- Foreign companies comprise well over half of the fund's equities (primarily through the Global Equity Fund and Equity Fund). Our managers are finding attractively priced stocks in industries that are not well represented in Canada, specifically the industrial, consumer and techonology sectors. Specific to geography, their selections have led to a bias towards overseas companies (Asia and Europe), whereas U.S. stocks comprise a more modest weighting.
- The portfolio's Canadian stocks are diversified across income-oriented securities (Income Fund), high-quality companies with growing dividends (Equity Fund), and to a lesser extent, smaller companies with higher growth profiles (Small-Cap Fund). The fund continues to have limited exposure to resource companies with the exception of oil & gas producers.
- The weighting in bonds (25%) remains well under the long-term target (35%), as yields are running below the expected level of inflation, which in our view is unsustainable.
- In lieu of a full bond allocation, the cash reserve is higher than normal. While yields are nominal, cash and other short-term securities provide protection against rising interest rates and are a ready source of liquidity in the event of heightened market volatility.

Fund Mix

Income Fund	36%
Global Equity Fund	24%
Equity Fund	23%
Small-Cap Equity Fund	5%
Savings Fund	12%

Portfolio Specifics

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

Notable Transactions

- The allocation to the Income Fund was reduced slightly as bond yields fell further in the quarter. The proceeds were used to increase the holdings in the Equity and Global Equity funds.
- Between the Savings Fund and cash held in the equity funds, the cash reserve finished the quarter at 16% of total assets.

Foreign stocks

Gold

Federal government bonds

Corporate bonds

Industrial stocks

CN Rail, Lincoln Electric, Mitsubishi, Stantec

Cash reserve

Equities

Founders Fund

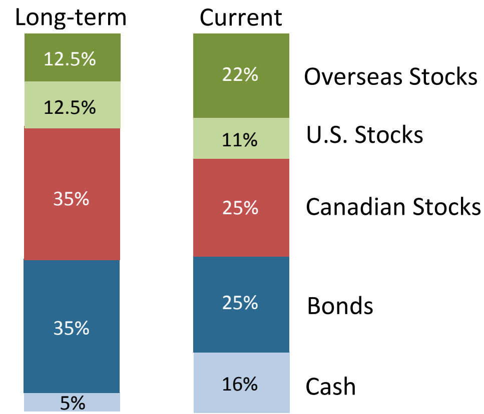
Top Stock Holdings (% of Fund)

TD Bank	2.0%
Unilever	1.4%
Suncor Energy	1.3%
Baytex Energy	1.0%
Home Capital Group	1.0%
Mead Johnson	1.0%
Novartis	0.9%
CVS Caremark	0.9%
Franco-Nevada	0.9%
Starbucks	0.9%

Sector Allocation (Equities)

Financials	20.6%
Industrials	20.5%
Energy	11.2%
Consumer Discretionary	10.8%
Information Technology	10.1%
Consumer Staples	9.8%
Materials	6.7%
Telecom Services	5.2%
Health Care	3.1%
Utilities	2.0%

Asset Mix



Transactions

+	-
Westshore Toyota Motor Seven & I Constellation	Rogers Comm. SAP Primaris REIT Enbridge

Asset Mix

Cash & Short-term	15.9%
Government Bonds	9.0%
Corporate Bonds	16.2%
Canadian Equities	25.4%
Foreign Equities	33.4%

Fund Size

Net Assets $59,239,260

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	**3.6%**	**3.6%**	**9.6%**	**N/A**	**N/A**	**N/A**	**9.2%**
DEX Universe Bond Index	0.7%	0.7%	4.5%	N/A	N/A	N/A	4.1%
S&P/TSX Composite Index	3.3%	3.3%	6.1%	N/A	N/A	N/A	5.4%
MSCI World Index ($Cdn)	10.1%	10.1%	14.4%	N/A	N/A	N/A	15.5%

*Feb. 17, 2012

Growth of $10,000 Since Inception

Income Fund

Market Overview

- The Canadian bond market eked out a small gain to start the year – the DEX Universe Bond Index returned 0.7% in the quarter. Corporate and provincial bonds continue to outperform federal government securities.
- The Canadian stock market rose 3.3%, with defensive, dividend-paying stocks once again providing higher returns.

Three key areas of investment remain corporate bonds, provincial bonds and stocks with growing dividends.

Portfolio Specifics

- The fund continues to perform well in a low interest rate environment. Key areas of added value have been: (1) an emphasis on corporate and provincial bonds over federal government bonds; (2) strong security selection (banks and insurance bonds and no direct exposure to mining stocks); and (3) a higher than normal weighting in dividend-paying stocks.
- The manager, Connor, Clark & Lunn, feels that central banks will continue to hold interest rates down, which will lead to increased demand for corporate bonds. CC&L notes that spreads (the difference in yield between corporate and government bonds) are higher than average and believes they will continue to narrow (leading to further price gains, albeit modest).
- CC&L continues to see opportunities in insurance and bank bonds. As well, they feel certain provincial bonds offer attractive value, notably Ontario 10-year bonds, which carry a 1% yield premium over Canada bonds.
- Dividend-paying stocks are providing a valuable source of income. Two-thirds of the funds equity holdings have yields of 4% or greater, and the quality of holdings (and thus sustainability of payouts) remains high.
- The fund paid a distribution of $0.10/unit at the end of March. If interest rates stay near historic lows or fall further, the distribution may be reduced in future quarters. For further details, read our related blog post.

Notable Transactions

- A slight trim was made to the high yield bond portion of the portfolio, with the proceeds invested in higher quality corporate bonds.
- On the stock side, a few of the fund's utilities and REIT holdings were sold or trimmed on strength (*Primaris REIT*, *Granite REIT*, *Algonquin Power*), while *Thomson Reuters* and *Constellation Software* were purchased.

Positioning

- Fixed income holdings remain focused in corporate and provincial bonds.
- The portfolio's average term to maturity and duration is slightly lower than normal as a defense against an eventual rise in interest rates.
- Dividend-paying equities comprise about 30% of the fund (the long-term target is 25%) as the outlook for stocks remains positive in CC&L's view. Global growth is picking up and corporate earnings remain robust. Focus is on companies with rising dividends and strong balance sheets.

Growing dividends

Corporate bonds

REITs

Brookfield Office, Cominar, Chartwell

Federal government bonds

High yield

Provincial bonds

Ontario, Quebec

Short duration

Income Fund

Top Holdings

CC&L High Yield Bond Fd	8.0%
Quebec 3.50% (12/01/22)	4.0%
Canada 4.00% (06/01/41)	3.5%
Bank of Nova Scotia	2.0%
Toronto-Dominion Bank	2.0%
Royal Bank	1.9%
Ontario 4.20% (06/02/20)	1.9%
Ontario 3.15% (06/02/22)	1.8%
Telus	1.8%
Ontario 5.85% (03/08/33)	1.8%

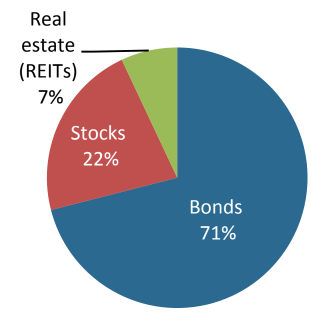
Issuer Allocation (Bonds)

Federal Govt. Bonds	6.4%
Provincial Govt. Bonds	29.5%
Corporate Bonds	64.1%

Rating Summary (Bonds)

AAA	7.9%
AA	30.9%
A	35.0%
BBB	18.1%
BB (or lower)	8.0%

Asset Mix



Stock Transactions

+	-
Thomson Reut	Primaris REIT
Constellation	Granite REIT
Riocan REIT	Algonquin
Great West Life	Enbridge

Portfolio Summary

Avg. Term to Maturity	8.4 yrs.
Duration	6.2 yrs.

Fund Size / Yield

Net Assets	$79,327,007
Pre-fee Yield	3.2%

Fee

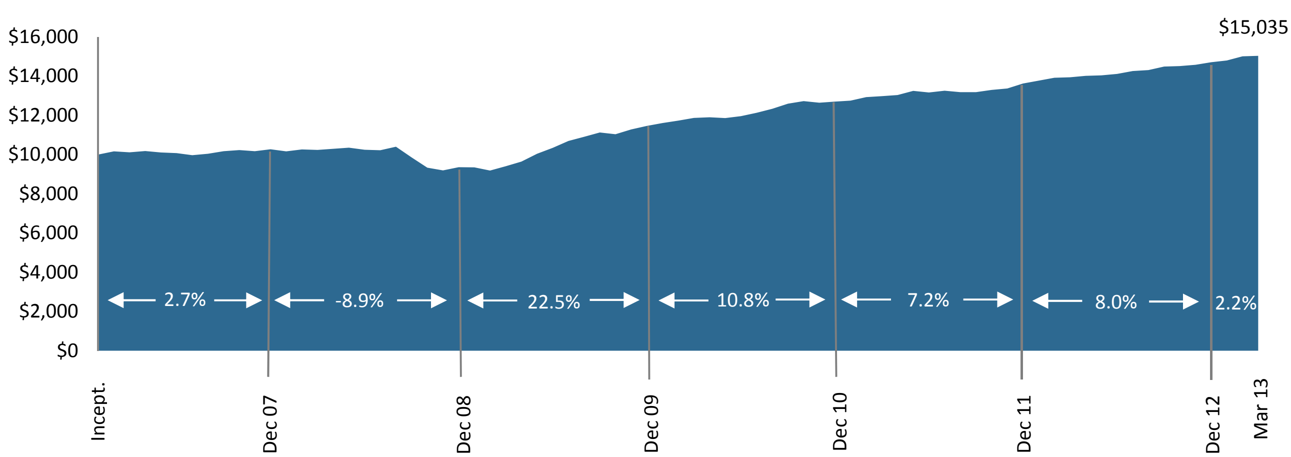
One Simple Fee 1.04% (or less)

Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
Income Fund	**2.2%**	**2.2%**	**7.9%**	**7.6%**	**8.2%**	**8.0%**	**6.9%**
DEX Universe Bond Index	0.7%	0.7%	4.5%	7.1%	6.4%	5.9%	5.9%
S&P/TSX Composite Index	3.3%	3.3%	6.1%	-2.1%	4.9%	2.1%	2.6%

*Feb. 13, 2007

Growth of $10,000 Since Inception



Equity Fund

Steady as she goes. Focus remains on strong cash-generating, dividend growing businesses at home and abroad.

Market Overview

- The Canadian stock market (S&P/TSX Composite Index) had a positive start to the year, gaining 3.3%, although gold and mining stocks were weak.
- Global markets posted strong returns in spite of persistent debt and political problems in Europe. The world market, as measured by the MSCI World Index, advanced 10.1%.

Portfolio Specifics

- The bulk of the portfolio is invested in stable, cash-generating, well-financed businesses across a wide range of industries.
- Cyclical stocks (mining, forestry, hotels, auto-related) comprise a small portion of the portfolio (holdings include *Franco-Nevada* and *Magna Int'l*), but the manager is looking at a few opportunities where the reward/risk tradeoff appears increasingly compelling.
- Consumer focused holdings continue to produce strong operating results and share price gains, notably those with a large global footprint (*Mead Johnson*, *Dairy Farm Int'l*, *Unilever* and *Starbucks*).
- Dividend growth figures prominently in the portfolio. Last year 20 of the fund's 25 holdings increased their dividend and the trend continues this year, with *TD Bank*, *Potash Corp.*, *Mead Johnson* and *CVS Caremark* having already boosted their dividend, among others. The manager, CGOV Asset Management, believes that dividend growth is an excellent predictor of management's belief in the future prospects of the business, as well as an indication of strong cash generation.
- The fund's investments outside Canada have been key contributors to performance over the past 3 years. CGOV has taken some profits in a few holdings, but foreign stocks remain an integral part of the portfolio.
- The cash position remains higher than normal at 9% as CGOV is remaining disciplined on price (trimming holdings on strength).

Notable Transactions

- *Westshore Terminals* was purchased. The company is the largest coal-loading facility on the west coast of North America (see profile on P.17).
- *Rogers Communications* was sold. The stock had a strong run over the past year and is no longer cheap in CGOV's view.
- Read more on the above transactions in a recent blog post, 25 in Action.

Positioning

- The manager's strategy remains unchanged: the focus is on high-quality companies with diversified revenue streams that are trading at reasonable valuations.
- U.S. and overseas companies make-up nearly half of the portfolio as CGOV continues to find good value in industries not well represented in Canada.

Dividend growth

High quality

Cash

Foreign stocks

Emerging markets

Cyclical

Consumer goods

CVS Caremark, Unilever, Dairy Farm

Equity Fund

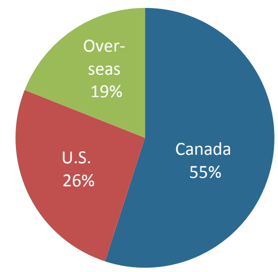
Top Holdings

TD Bank	5.6%
Suncor Energy	5.6%
Baytex Energy	4.4%
Home Capital Group	4.2%
Mead Johnson	4.2%
Novartis	4.1%
CVS Caremark	4.1%
Franco-Nevada	4.1%
Unilever	4.0%
Starbucks	3.9%

Sector Allocation (Equities)

Industrials	24.6%
Consumer Staples	17.3%
Energy	16.7%
Materials	14.8%
Financials	10.9%
Consumer Discretionary	7.9%
Health Care	4.6%
Information Technology	3.2%

Geographic Profile (Equities)



Transactions

+	-
Westshore Franco-Nevada Home Capital Suncor	Rogers Comm. Birchcliff Insperity Lincoln Electric

Asset Mix

Equities	90.8%
Cash & Short-term	9.2%

Fund Size / Concentration

Net Assets	$49,775,145
Number of stocks	25

Fee

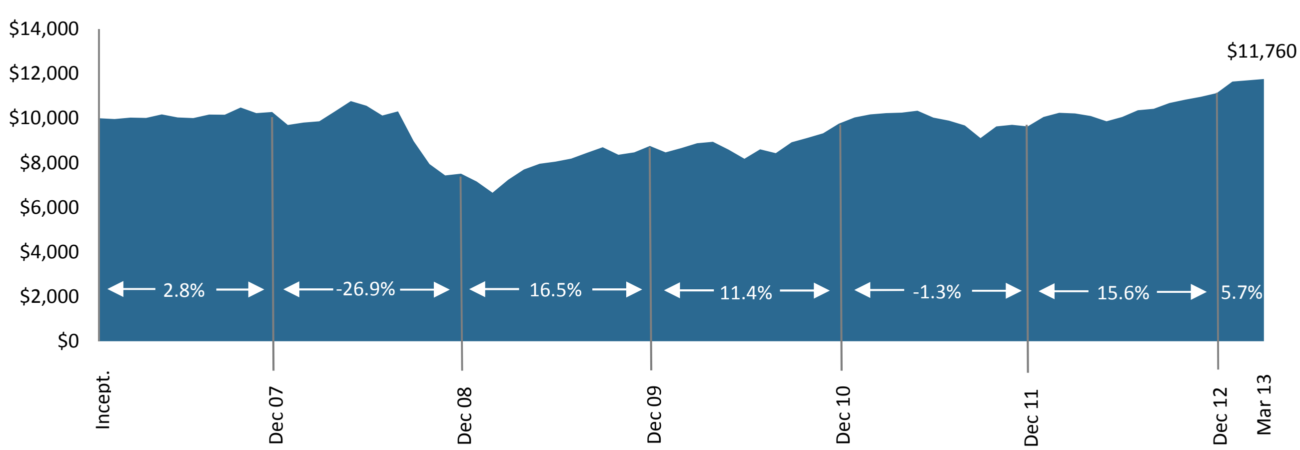
One Simple Fee 1.42% (or less)

Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
Equity Fund	**5.7%**	**5.7%**	**15.1%**	**7.2%**	**9.8%**	**3.6%**	**2.7%**
S&P/TSX Composite Index	3.3%	3.3%	6.1%	-2.1%	4.9%	2.1%	2.6%
MSCI World Index ($Cdn)	10.1%	10.1%	14.4%	9.1%	9.1%	2.6%	-0.4%

*Feb. 13, 2007

Growth of $10,000 Since Inception



Global Equity Fund

Market Overview

- Global equity markets had a strong quarter, led by Asia (Japan was up over 20%) and the U.S. (up over 10%). Most European markets rose despite the well publicized issues in Italy and Cyprus.
- The Canadian dollar fell slightly against the U.S. dollar (-2%), but rose against the Euro (+1%), British Pound (+5%) and Japanese Yen (+7%), which dampened returns.

"On a geographic basis the standout market remains Japan. The Yen has depreciated 20% from its peak and this will feed its way into corporate profitability." - EPL

Portfolio Specifics

- Stocks with stable earnings such as consumer and health care companies started the year with strong gains and continue to be favoured by investors for their perceived safety. The fund has only modest exposure to these stocks (*Unilever*, *Heineken*, *GlaxoSmithKline*) as the manager, Edinburgh Partners Limited (EPL), feels they are trading at rich valuations.
- EPL is finding better opportunities in stocks with more cyclical earnings (*Maersk*, *Dongfeng Motor*, *Rio Tinto*, *Panasonic, SanDisk*). They believe these stocks have significantly greater upside as we move into a more "normal" investing environment in which investors are less inclined to focus on stocks with predictable earnings.
- Japanese holdings have rebounded sharply. Companies have benefitted from a weaker Yen (which helps profits) and a new government keen on stimulating the economy. Export-focused businesses including *Bridgestone*, *Yamaha Motor* and *Panasonic* have been recent standouts.
- Europe continues to dominate the headlines. An inconclusive Italian election and the banking crisis in Cyprus caused the latest bouts of fear. Financial companies were penalized by investors (*Intesa Sanpaolo*, *Aviva*, *RBS*) although other holdings in the region held up relatively well. Indeed, there are positive signs that Europe's issues are being addressed.
- U.S. holdings continue to generate strong profits and price gains. The fund has a relatively low weighting in the region (which has hurt performance), however, as EPL is finding better values in Asia and Europe.

Notable Transactions

- *Seven & I* and *Toyota* were purchased. The primary attraction of Seven & I, a Japan-based holding company for the world's largest convenience store chain (7-Eleven), is Asian growth. Toyota represents a turnaround opportunity as the automaker regains its reputation for product quality.
- *SAP* was sold. The stock has risen strongly and the valuation is expensive.

Positioning

- Focus remains on undervalued Asian and European companies.
- The manager feels there is still a sharp dichotomy in valuation between companies with low earnings volatility and those that generate more cyclical (less predictable) earnings. EPL's attention is focused on the latter.

Cyclical

Asian consumption

China Mobile, Swire Pacific, Bridgestone, Yamaha

Japan

Value tilt

Europe

Mobility

Google, Samsung, SanDisk

U.S.

Global Equity Fund

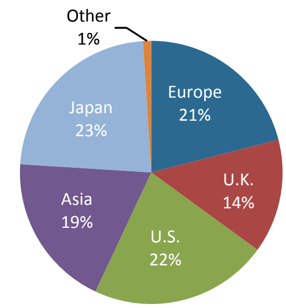
Top Holdings

Bridgestone	3.3%
SanDisk	3.1%
Google	2.9%
ABB	2.9%
HSBC	2.8%
Microsoft	2.8%
Japan Tobacco	2.8%
Sumitomo Mitsui Fin.	2.7%
Maersk	2.6%
Johnson Controls	2.6%

Sector Allocation (Equities)

Consumer Discretionary	20.4%
Information Technology	18.8%
Industrials	17.4%
Financials	16.9%
Consumer Staples	9.6%
Telecom Services	8.8%
Energy	3.5%
Materials	2.5%
Health Care	2.1%

Geographic Profile (Equities)



Transactions

+	-
Toyota Motor Seven & I Panasonic Microsoft	SAP

Asset Mix

Equities	95.5%
Cash & Short-term	4.5%

Fund Size / Concentration

Net Assets	$31,401,861
Number of stocks	41

Fee

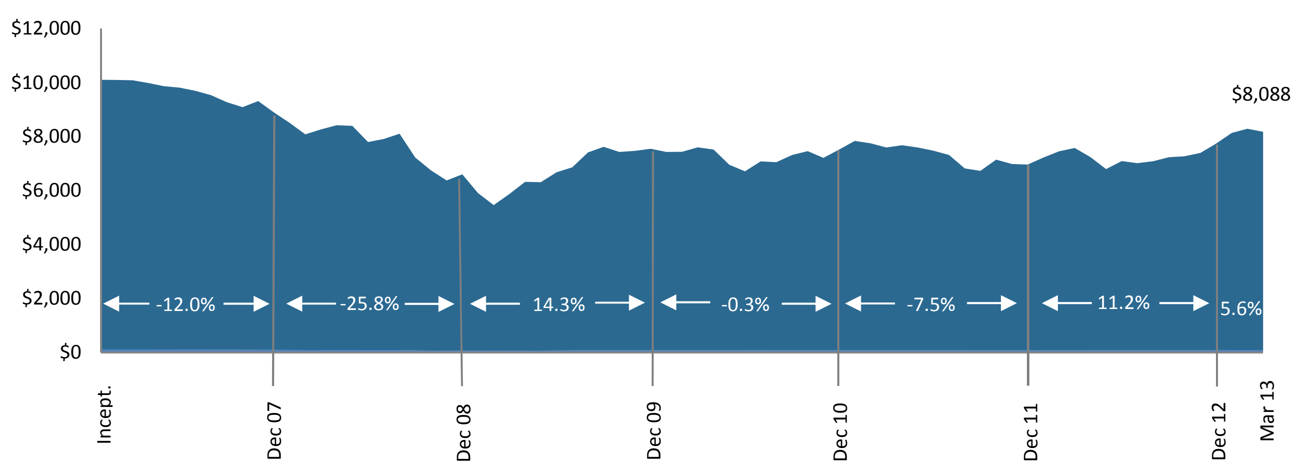
One Simple Fee 1.78% (or less)

Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
Global Equity Fund	**5.6%**	**5.6%**	**7.9%**	**3.8%**	**2.5%**	**-0.2%**	**-3.4%**
MSCI World Index ($Cdn)	10.1%	10.1%	14.4%	9.1%	9.1%	2.6%	-0.4%

*Feb. 13, 2007

Growth of $10,000 Since Inception



Small-Cap Equity Fund

The fund has limited exposure to gold and mining stocks, which has been a key factor in its strong performance over the past several quarters.

Market Overview

- The Canadian small-cap market produced a modest gain of 1.2% in the first quarter.
- Gold and mining stocks, which comprise a sizeable portion of the market, were the weakest performers. The consumer-related, technology and industrial sectors were areas of strength.

Portfolio Specifics

- The fund held 16 stocks at quarter-end, with market capitalizations ranging from $30 million to $2.5 billion. The weighted average market capitalization of the portfolio is roughly $1 billion.
- The portfolio's make-up remains significantly different than the small-cap market. Notably, the fund has an emphasis on profitable, cash-generating businesses and thus limited exposure to gold and mining-related stocks (*Primero Mining* is the lone gold miner).
- One example of a company that has figured out how to grow despite the tough economy is *MacDonald Dettwiler*. The fund has owned the stock since late 2009, during which time it has doubled. While it hasn't been a straight line, the company has managed to quintuple earnings in the last decade while averaging 23% Return on Equity. In the process, it has become a leading satellite manufacturer and provider of related services.
- An area of increasing exposure has been oil producers. The manager, Wutherich & Company, favours companies with strong production growth and an international focus: *Coastal Energy* (Thailand), *TransGlobe Energy* (Egypt), *Eagle Energy* (Texas). In Canada, Wutherich likes producers and service providers exploiting a unique opportunity or niche in the market.
- *Iridium Communications* (a global satellite communications company) has been the weakest performer over the past year. The manager reiterates that it's a business model and investment that will require patience.
- The cash position currently sits at 10%.

Notable Transactions

- *Invicta Energy* was sold. Invicta was a small position that quickly ran up in price to the point where it was trading at full value in the manager's view.
- *TransGlobe Energy* was purchased. The company produces oil in Egypt and has a management team that understands the lay of that challenging land.

Positioning

- The fund continues to have a focus on profitable businesses with little or no debt. There have been few changes to the underlying holdings.
- While emphasis remains on high-quality companies, the manager is looking at a few stocks with greater cyclicality in earnings which are trading at depressed prices.

Profitable businesses

Base metals

Low turnover

Int'l oil producers

Coastal Energy, TransGlobe, Eagle Energy

Concentration

Technology

MacDonald Dettwiler, Evertz, Calian

Little debt

Small-Cap Equity Fund

Top Holdings*

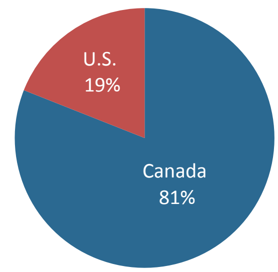
Stantec	8.7%
MacDonald Dettwiler	7.6%
Badger Daylighting	7.2%
Iridium Communications	6.9%
Medical Facilities	6.8%
Evertz Technologies	6.4%
HNZ Group	6.4%
Total Energy Services	6.1%
Primero Mining	6.0%
Coastal Energy	5.5%

*As of January 31, 2013

Sector Allocation (Equities)

Energy	27.1%
Industrials	26.4%
Information Technology	17.6%
Health Care	8.2%
Materials	7.5%
Telecom Services	6.9%
Consumer Discretionary	6.3%

Geographic Profile (Equities)



Transactions

+	-
TransGlobe Iridium Eagle Energy	Invicta Energy Evertz Parkland Fuel

Asset Mix

Equities	89.8%
Cash & Short-term	10.2%

Fund Size / Concentration

Net Assets	$35,979,701
Number of stocks	16

Fee

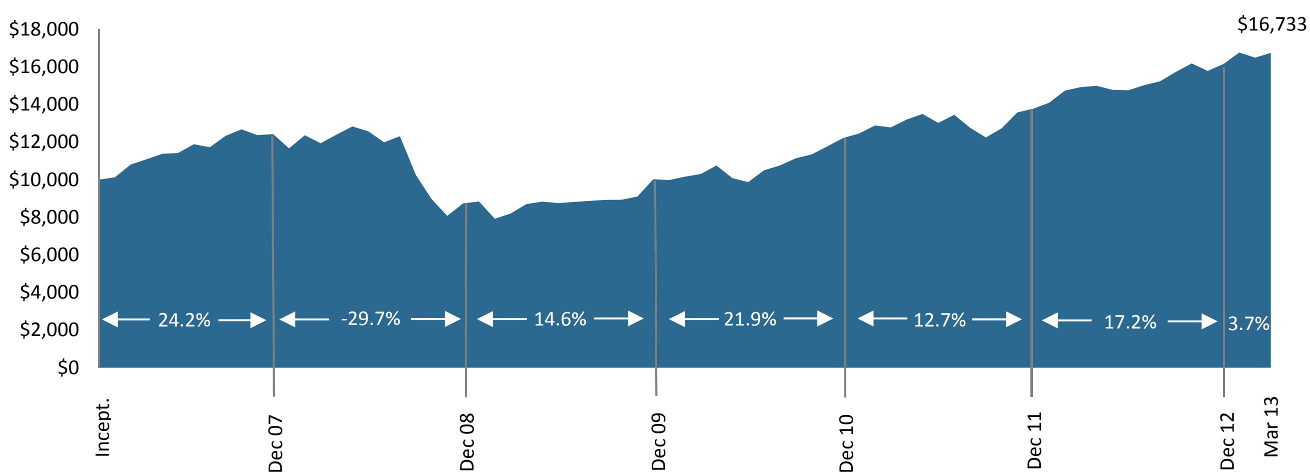
One Simple Fee 1.78% (or less)

Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
Small-Cap Equity Fund	**3.7%**	**3.7%**	**12.2%**	**14.5%**	**17.6%**	**7.0%**	**8.8%**
BMO Small Cap Index	1.2%	1.2%	-3.6%	-7.4%	4.7%	3.9%	2.1%

*Feb. 13, 2007

Growth of $10,000 Since Inception



Savings Fund

The manager continues to maintain a defensive positioning with respect to the portfolio's average term-to-maturity.

Market Overview

- The Bank of Canada left its key short-term lending rate unchanged in the quarter. It has sat at 1.0% since September 2010.
- The central bank expects growth to pick up in Canada through 2013 but feels that slack remains in the economy.
- The Bank noted in its March statement, "The considerable monetary policy stimulus currently in place will likely remain appropriate for a period of time, after which some modest withdrawal will likely be required, consistent with achieving the 2% inflation target."

Portfolio Specifics

- With the government's key lending rate remaining close to historic lows, investors should expect meagre returns from money market securities (T-Bills and short-term corporate paper).
- The spread (difference in yield) between provincial T-Bills and federal T-Bills ('Canadas') narrowed in the quarter, from approx. 10 basis points (0.10%) to 5-6 basis points. This made provincial T-Bills less attractive in the manager's view (Connor, Clark & Lunn) and a switch was made out of these securities and into federal T-bills.
- Bank paper continues to offer an attractive yield advantage of 10-15 basis points over federal T-Bills. CC&L added to these securities, which include bankers' acceptances (B/As) from *TD Bank*, *Royal Bank*, *Bank of Nova Scotia* and *CIBC*. Bank paper comprises roughly 50% of the portfolio.
- The fund holds a few floating rate notes (FRNs), which are securities that have variable interest rates. These notes make-up 12% of the portfolio and currently provide an attractive yield advantage over 3-month T-Bills.
- The pre-fee yield of the fund at the end of March was 1.2%.
- 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.

Notable Transactions

- A prominent change was made to the fund's government-issued securities: the manager switched out of provincial T-Bills and into federal T-Bills. The latter securities now comprise 31% of the portfolio.
- Some additional short-dated bonds were purchased (securities with less than 1 year to maturity).

Positioning

- The manager continues to maintain a defensive positioning with respect to the portfolio's average term-to-maturity (which is shorter than normal) in anticipation of a rate increase by the Bank of Canada, despite uncertainty with regards to the timing.

Short maturity
Bank paper
Federal T-Bills
Provincial T-Bills
Floating rate notes
Reduced fee

Savings Fund

Top Holdings

Canada T-Bills (05/09/13)	27.6%
CIBC B/A (05/21/13)	5.0%
TD Bank B/A (04/22/13)	4.7%
Manulife FRN (02/25/14)	4.3%
Royal Bank B/A (04/24/13)	4.3%
BNS B/A (05/16/13)	4.3%
TD Bank BDN (06/13/13)	4.3%
GE Capital FRN (02/10/14)	4.0%
BMO BDN (08/08/13)	4.0%
Enbridge C/P (04/08/13)	3.7%

Yield

7-day Yield* 1.0%

**This is an annualized historical yield (net of fess) based on the seven day period ended on March 31, 2013, and does not represent an actual one year return.*

Fund Size

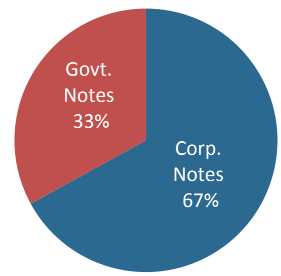
Net Assets $7,456,860

Fee

One Simple Fee 0.65%* (or less)

*Temporarily reduced to 0.20%

Issuer Allocation

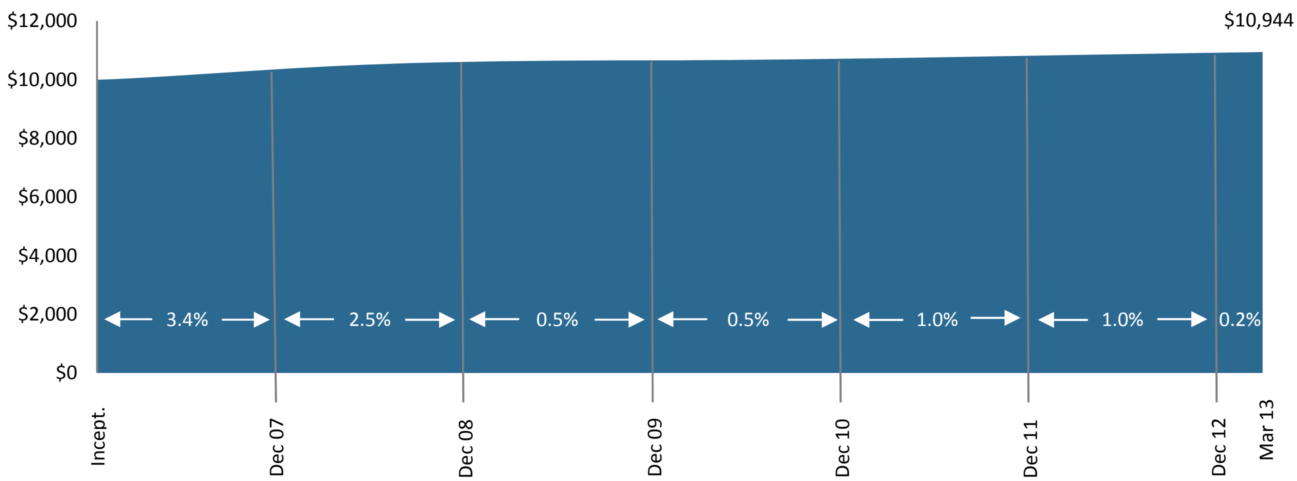


Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
Savings Fund	**0.2%**	**0.2%**	**1.0%**	**1.0%**	**0.9%**	**1.0%**	**1.5%**
DEX 91 Day T-Bill Index	0.2%	0.2%	1.0%	1.0%	0.9%	1.1%	1.7%

*Feb. 13, 2007

Growth of $10,000 Since Inception



Stock Snapshot – Westshore Terminals

Overview

Westshore Terminals is the largest coal loading facility on the west coast of North and South America, located 30 kilometres from downtown Vancouver. The terminal shipped more than 25 million tonnes of coal last year to a number of countries around the world, with heavy volumes to Asia. The company's key coal supplier is Teck Resources (mines in B.C. and Alberta), but it also receives coal from several mines in the U.S. Westshore generates revenues based on volume of coal exported and has been in operation for over four decades.

The stock is held in our Equity Fund (3.4% position size).

Investment Case

Westshore is an attractive company on many fronts: (1) it has a sustainable competitive advantage because its terminal can't easily be replicated due to a scarcity of land in the Lower Mainland and the significant capital investment (rail) that would be required to bring a new facility online; (2) it generates substantial free cash flow (it has distributed over $1 billion to investors since 1997); (3) it has a captive customer in Teck Resources; (4) the business generates an above-average return on invested capital; and (5) it's an attractive acquisition target for many different entities (including pension funds, railroads and Teck).

The company is also one of the few "pure-play" infrastructure stocks in North America and has limited competition. The Neptune terminal (North Vancouver) is small and operating at full capacity and the Ridley Terminal (Prince George) is uneconomical for coal mines in southern B.C.

Finally, Westshore recently announced plans to fully modernize its facility over the next few years, which will improve operational efficiencies and allow its customers to boost production to satisfy the growing demand for coal in Asia.

Risks to Outlook

Westshore is dependent on one commodity and one customer. A significant decline in the price of coal could reduce shipping volumes at the terminal. Labour relations also pose a risk at both the company level (Westshore employees are unionized) or somewhere along the supply chain (e.g. CP Rail or Teck).

An interesting fact: B.C. mines produce some of the highest quality metallurgical (steelmaking) coal in the world and the province is one of the world's most important suppliers to the steel industry.

We're passionate about investing. And we're fanatical about helping our clients become better investors. So much so, in fact, that we've written a **white paper** on what it takes. Watch for its release later this month.

Disclaimers

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