

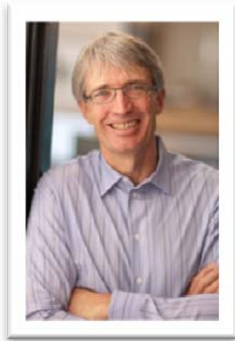
# Q2

## 2013

*“Rising interest rates are a healthy sign because previously rates had been unsustainably low. The recent rate rise puts the economy and capital markets on a better footing, although yields are still below where valuation measures suggest they should be.”*

- Tom Bradley (The Globe and Mail, June 24<sup>th</sup>)

## Bradley's Brief



2013 has been a year of environmental disasters in Canada, but from an investment point of view, it's been pretty good so far. You might be surprised to hear me say that because interest rates have moved up and June was a weak month in the markets. Bonds dropped in price and most dividend stocks (especially REITs) were weak. And then there was the resource stocks, which continue to dive – gold is down 25% this year and mining stocks in general have been hammered.

Diversified portfolios at Steadyhand are up between 2.5% and 5% year-to-date, mostly because of our equity funds. The goings-on in June were a good reminder of how important it is to take ... you know what's coming ... a long-term view. Investing is all about being disciplined, patient, calm, courageous at times, and boringly disengaged from the everyday noise.

Indeed, I hesitate to write about one month because it will be just a dimple on the long-term charts, although one element of the drama is important – interest rates moved up. In my view, higher rates are a good thing. Yes, our Income Fund hasn't earned anything so far this year, but higher rates have shaken some of the price distortions and speculation out of the market and put the capital markets on a more solid footing.

What did we do for our clients? Well, we did a lot of thinking. It felt good to be well positioned going into June (low bonds, high cash, lots of quality and foreign stocks, minimal mining and gold), but it wasn't a time to be smug. We don't think the economic outlook has changed significantly. The Western economies are still fragile and financial positions tenuous (although I think Europe will surprise people in the next year or so, just as the U.S. is doing). Growth in the emerging world is slowing – especially in China and Brazil.

The excellent bond returns of the last few years were borrowed from the future, but a portion of that obligation was repaid with the interest rate increase. We're still projecting modest bond returns going forward (low yields = low returns), but some of the rate risk has come out of the market. In my view, stocks were trading in a normal valuation range before the June weakness (albeit at the upper end) and are still there (closer to the middle).

Despite our deep and profound thinking, we didn't make any strategic changes in the second quarter. The rate increases were meaningful and the news flow dramatic, but neither warranted a shift. As you'll see in the fund reviews, however, there were more stock changes than normal. Volatile markets presented the managers with more opportunities.

The Steadyhand team was also active over the last three months. In addition to working with clients, we've published a new white paper, *Five Essential Elements to Being a Better Investor* (a must read for the hammock or dock), upgraded the performance information on your quarterly statement and added new features to the website (Comparison Tool, manager videos and a button for our 'Current Thinking').

Speaking of thinking, we'll keep doing that on your behalf and make changes where necessary. In the meantime, we hope you have a great summer.

A handwritten signature in cursive script that reads "Jim".

## Takeaways

### Stocks

- It was a mixed quarter for stocks. Markets around the globe experienced a pick-up in volatility following comments from the U.S. Federal Reserve that it may start to ease its monetary stimulus program later this year.
- Japan (Nikkei 225 Index) was a standout, rising 10% (+32% year-to-date), the U.S. (S&P 500 Index) was up 3% in U.S. dollars (+14% YTD), while Canada (S&P/TSX Composite Index) fell 4% (-1% YTD). China was among the weakest performers, falling over 10% (-13% YTD).
- The resource sector was an area of weakness, as the prices of gold and silver fell over 20% and natural gas dropped 11%. Crude oil held stable.

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*Global stock markets had a mixed quarter, with commodities being a notable area of weakness. The bond market had its weakest showing in recent memory as yields rose sharply.*

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### Bonds

- Bond yields around the globe were driven sharply higher and fixed income securities of all types were under pressure.
- The Canadian bond market fell 2.4%, its worst quarterly return in nearly two decades (since 1994). The market is down 1.7% so far in 2013.
- 10-year government bond yields rose from a low of 1.65% in late April to end the quarter at 2.44%. This represents a significant rise in a low interest rate environment.

### Our Funds

- Our portfolios fared well in the quarter, all things considered. Balanced clients experienced returns in the -1% to +1% range, depending on their asset mix, and are up 2.5% to 5% year-to-date.
- 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 *Intact Financial* (Canada), *KDDI* (Japan) and *Hawaiian Holdings* (USA). Notable sales included *Compass Minerals* (USA), *Safran* (France) and *Calian Technologies* (Canada).
- On the fixed income side, the Income Fund has a shorter than normal term-to-maturity with holdings focused in corporate and provincial bonds.

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## 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 position (10-15%). This positioning reflects our view that stock valuations are reasonable in the context of a slow growth economy, bonds are trading at unattractively low yields and cash provides protection against rising interest rates.

The *Current Thinking* feature on the home page of our website gives a high level view of our thoughts on asset mix and the advice we're giving clients. If you have any questions, give us a call @ **1-888-888-3147**.

## Steadyhand Portfolios (Hypothetical)\*

### Compound Annualized Returns

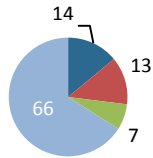
■ Income Fund

■ Equity Fund

■ Global Equity Fund

■ Small-Cap Equity Fund

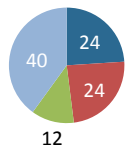
#### Balanced Income Portfolio (50/50)


**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
	-0.7%	2.6%	8.9%	7.0%	9.0%	6.0%

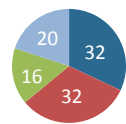
#### Balanced Equity Portfolio (70/30)


**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
	0.8%	4.9%	12.9%	8.0%	10.4%	4.9%

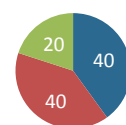
#### Growth Portfolio (85/15)


**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
	2.0%	6.7%	16.0%	8.8%	11.5%	4.0%

#### Aggressive Growth Portfolio (100/0)


**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
	3.1%	8.5%	19.2%	9.5%	12.5%	3.0%

\*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](http://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%	0.5%	1.0%	1.0%	1.0%	1.0%
DEX Universe Bond Index	-2.4%	-1.7%	-0.2%	4.6%	4.6%	5.5%
S&P/TSX Composite Index	-4.1%	-0.9%	7.9%	-1.6%	5.4%	-0.5%
BMO Small Cap Index	-7.4%	-6.3%	2.1%	-7.3%	4.1%	1.7%
S&P 500 Index (\$Cdn)	6.5%	20.3%	24.4%	17.7%	18.1%	7.7%
MSCI World Index (\$Cdn)	4.4%	14.9%	23.0%	11.5%	14.0%	3.9%

## 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.

### Asset Mix

- The fund continued to maintain a full allocation to stocks based on our view that corporations are in a strong position and valuations are in a normal range.
- Foreign companies account for well over half of the fund's stocks. Our managers are finding attractively priced stocks in industries that are not well represented in Canada, specifically the industrial, consumer and technology sectors. Their selections have resulted in a tilt towards overseas companies (Asia and Europe) as opposed to the U.S.
- 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 overall has limited exposure to resource companies with the exception of oil & gas producers.
- The weighting in bonds (23%) remains well under the long-term target (35%). This proved to be advantageous in the second quarter as yields moved up substantially (resulting in lower bond prices). Despite higher yields, the outlook for bond returns is still subdued.
- In lieu of a full bond allocation, the cash reserve is higher than normal. Between the Savings Fund and cash held in the equity funds, the reserve finished the quarter at 17% of total assets. Despite near-zero yields, cash and short-term securities provide protection against rising interest rates and are a ready source of liquidity in the event of heightened market volatility.

### Portfolio Specifics

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

### Notable Transactions

- There were no notable shifts in the quarter, just fine-tuning. The allocation to the Income Fund was reduced slightly (-2%), with the proceeds going to the Savings Fund.

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*The portfolio continues to have an emphasis on foreign stocks and corporate bonds. The fund is also holding more cash than normal as a source of protection against rising interest rates.*

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### Fund Mix

Income Fund	34%
Global Equity Fund	25%
Equity Fund	22%
Small-Cap Equity Fund	5%
Savings Fund	14%

**Foreign  
stocks**

**Corporate  
bonds**

Federal  
government  
bonds

**Consumer  
stocks**

Unilever, Starbucks, CVS  
Caremark, Toyota

**Cash  
reserve**

**Equities**

Gold

## Founders Fund

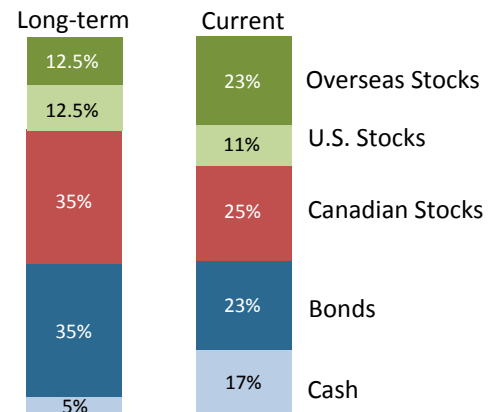
### Top Stock Holdings (% of Fund)

TD Bank	1.9%
Suncor Energy	1.2%
Unilever	1.2%
Intact Financial	1.2%
Telus	1.0%
Starbucks	0.9%
Franco-Nevada	0.9%
CVS Caremark	0.9%
Baytex Energy	0.9%
Lincoln Electric	0.8%

### Sector Allocation (Equities)

Financials	21.0%
Industrials	19.0%
Consumer Staples	11.7%
Information Technology	11.4%
Consumer Discretionary	11.2%
Energy	11.0%
Telecom Services	5.7%
Materials	5.6%
Health Care	1.8%
Utilities	1.6%

### Asset Mix



### Transactions

+	-
Boardwalk REIT	BCE
Intact	Compass
KDDI	Safran
Hawaiian Hldgs	Calian

### Asset Mix

Cash & Short-term	17.4%
Government Bonds	9.2%
Corporate Bonds	14.3%
Canadian Equities	24.8%
Foreign Equities	34.3%

### Fund Size

Net Assets \$71,959,363

### Fee

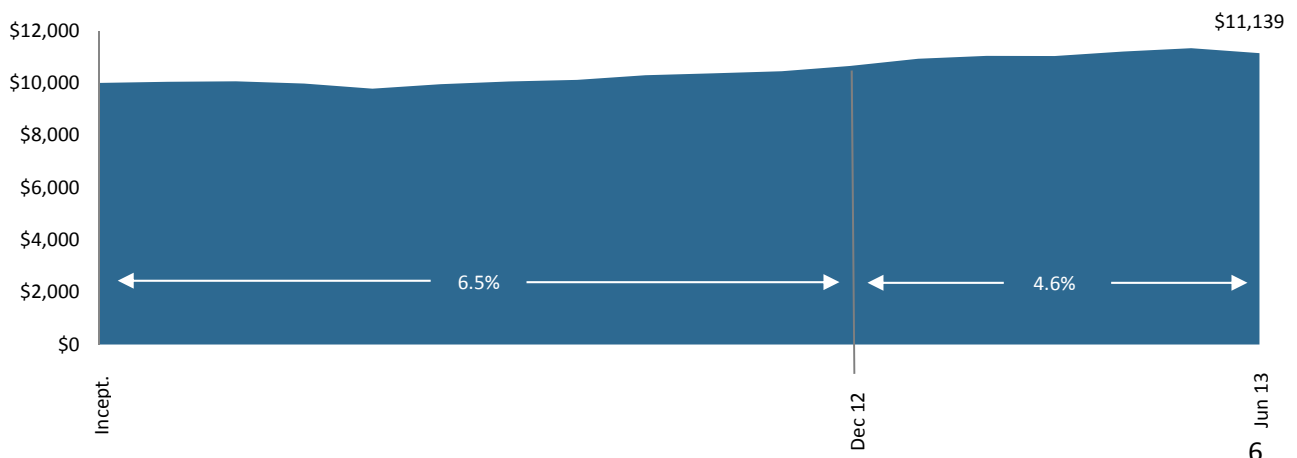
One Simple Fee 1.34% (or less)

### Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
<b>Founders Fund</b>	<b>1.0%</b>	<b>4.6%</b>	<b>11.9%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>8.2%</b>
DEX Universe Bond Index	-2.4%	-1.7%	-0.2%	N/A	N/A	N/A	2.1%
S&P/TSX Composite Index	-4.1%	-0.9%	7.9%	N/A	N/A	N/A	1.2%
MSCI World Index (\$Cdn)	4.4%	14.9%	23.0%	N/A	N/A	N/A	16.3%

\*Feb 17, 2012

### Growth of \$10,000 Since Inception (Feb 17, 2012)



## Income Fund

### Market Overview

- The Canadian bond market turned in its worst quarter in nearly two decades, as the DEX Universe Bond Index fell 2.4%. Interest rates rose sharply with 10-yr Gov't of Canada yields rising from 1.65% to 2.44%.
- The Canadian stock market also had a tough quarter, falling 4.1%. Real estate investment trusts (REITs) and utilities were particularly weak.

### Portfolio Specifics

- The U.S. Federal Reserve ("The Fed") announced that it may start to taper down its purchase of bonds later this year. This had a negative impact on the fund's fixed income securities. Yields rose across the board and prices fell. The fund has a shorter than normal duration (a measure of sensitivity to a rise in interest rates), which helped mitigate the effect of rising yields, but all bonds were impacted.
- In particular, a sharp rise in corporate bond yields hurt the portfolio, as it has an emphasis on this area of the market. The manager, Connor, Clark & Lunn, continues to see better value in corporate than government bonds. Specifically, they have a positive outlook for insurance and bank bonds and viewed the rise in yields as an opportunity to buy more U.S. bank bonds.
- The stock portion of the portfolio is focused on banks, insurers, REITs and energy companies. The manager added to companies with strong U.S. exposure (*Thomson Reuters, Progressive Waste, Brookfield*) and is avoiding companies that are paying out an excessive proportion of their earnings as dividends. The portfolio's income-equities weighed on performance but nonetheless performed better than the broader market.
- The fund paid a distribution of \$0.10/unit on June 28<sup>th</sup>.

### Notable Transactions

- Two different maturities of *Bank of America* bonds were purchased. CC&L feels the company will be a beneficiary of the U.S. housing recovery.
- REIT prices peaked in late April, at which time CC&L trimmed a number of positions. The sector subsequently declined over 15% and the manager added to select trusts late in the quarter (*Boardwalk, Dundee, Granite*).
- Similarly, the fund's exposure to high yield bonds was reduced early in the quarter (as a result of strong performance), but the manager started to add back to these securities in late June as prices weakened.

### Positioning

- Fixed income holdings remain focused in corporate and provincial bonds.
- The portfolio's average term-to-maturity and duration remain lower than normal as a defensive measure against rising interest rates.
- Income-equities (including REITs) comprise 30% of the fund as the outlook for stocks remains positive and payout ratios and yields are attractive.

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*It was a whirlwind quarter in the bond market as yields rose at the fastest pace in recent memory following the Fed's announcement that it may start to ease its purchase of bonds later this year.*

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### Foreign exposure

*Thomson Reuters, Bank of America, Progressive Waste*

## Corporate bonds

### REITs

*Brookfield Office, Boardwalk, Dundee*

### High yield

Federal government bonds

## Provincial bonds

## Short duration

## Income Fund

### Top Holdings

Ontario 4.00% (06/02/21)	4.5%
Quebec 5.85% (03/08/33)	4.3%
CC&L High Yield Bond - I	4.0%
Quebec 3.50% (12/01/22)	3.5%
Ontario 6.50% (03/08/29)	2.2%
Toronto-Dominion Bank	2.0%
B of A 2.00% (01/11/18)	1.9%
Royal Bank	1.9%
Bank of Nova Scotia	1.9%
Canada 3.50% (12/01/45)	1.9%

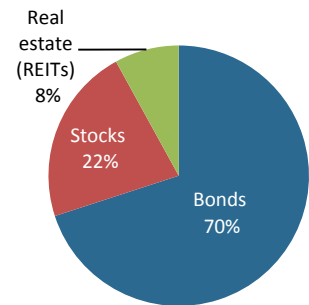
### Issuer Allocation (Bonds)

Federal Govt. Bonds	5.4%
Provincial Govt. Bonds	33.8%
Corporate Bonds	60.8%

### Rating Summary (Bonds)

AAA	7.8%
AA	36.4%
A	37.4%
BBB	9.0%
BB (or lower)	9.4%

### Asset Mix



### Stock Transactions

+	-
Whitecap Res.	BCE
Boardwalk REIT	Telus
Thomson Reut	Algonquin
Dundee REIT	EnCana

### Portfolio Summary

Avg. Term to Maturity	8.6 yrs.
Duration	6.4 yrs.

### Fund Size / Yield

Net Assets	\$75,676,865
Pre-fee Yield	3.6%

### Fee

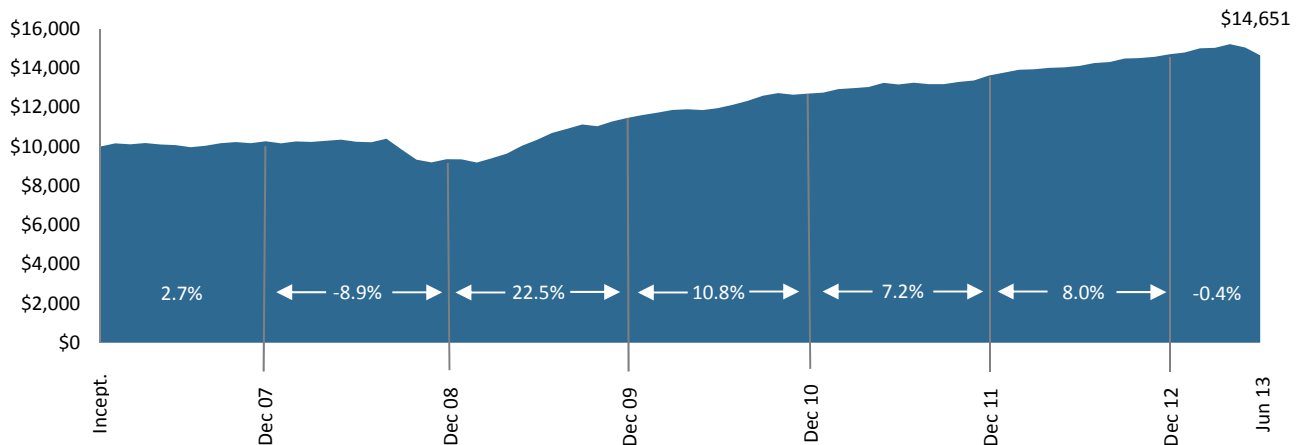
One Simple Fee	1.04% <a href="#">(or less)</a>
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### Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
<b>Income Fund</b>	<b>-2.6%</b>	<b>-0.4%</b>	<b>3.8%</b>	<b>5.5%</b>	<b>7.0%</b>	<b>7.4%</b>	<b>6.2%</b>
DEX Universe Bond Index	-2.4%	-1.7%	-0.2%	4.6%	4.6%	5.5%	5.3%
S&P/TSX Composite Index	-4.1%	-0.9%	7.9%	-1.6%	5.4%	-0.5%	1.8%

\*Feb 13, 2007

### Growth of \$10,000 Since Inception (Feb 13, 2007)





## Equity Fund

### Market Overview

- The Canadian stock market (S&P/TSX Composite Index) declined 4.1%, largely due to its heavy exposure to resource stocks. Many commodities saw sharp price declines, notably gold, silver and industrial metals.
- Global markets posted stronger returns on balance. The world market, as measured by the MSCI World Index, advanced 4.4%.

*A spike in volatility prompted some opportunistic purchases, with four new companies added to the portfolio.*

### Portfolio Specifics

- Trading activity was higher than normal in the quarter, as heightened volatility led to buying opportunities. Four companies were added to the portfolio while four were sold (details below).
- The “high-quality” theme is still largely in place. The manager, CGOV Asset Management, has a focus on strong cash generating, industry-leading businesses. Globally diversified consumer-focused companies with strong pricing power remain a key area of investment (*Starbucks, Dairy Farm International, Unilever, Mead Johnson*).
- Resource stocks have faced headwinds this year in the form of softening commodity prices, excess supply and slowing growth in China. The portfolio’s holdings have held up reasonably well and remain broadly diversified, with exposure to oil producers (*Suncor, Baytex*), service providers (*Pason*), natural gas (*Birchcliff*) and potash (*Potash Corp.*). A notable exception has been *Franco-Nevada*, the fund’s only gold stock, which has fallen over 30% this year as the price of gold has plummeted.
- The fund has modest investments in banks, as the manager has a cautious outlook on the sector. *TD Bank* remains the lone holding (CGOV likes TD’s focus on retail banking and its footprint and growth prospects in the U.S.). Exposure to the insurance sector was increased through the purchase of *Intact Financial*, Canada’s leading property & casualty insurer.
- The cash position remains higher than normal at 9%.

### Notable Transactions

- *Toromont Industries* (supplier of construction equipment), *Intact Financial* (property & casualty insurer), *FEMSA* (Latin American retailer and beverage distributor) and *Telus* (telecom operator) were purchased.
- *Compass Minerals*, *Insperty*, *Westshore Terminals* and *Magna Intl.* were sold. All of the stocks were profitable investments, notably *Magna*.

### Positioning

- Although there are some new names in the fund, the manager’s strategy hasn’t veered. The portfolio consists mainly of profitable, steady-eddy companies, complemented by a smaller group of more cyclical businesses.
- Foreign stocks make up a large portion of the fund as CGOV is finding value in industries not well represented in Canada, notably the consumer sector.

Dividend growers

Foreign stocks

Cash

Cyclical

High quality

Emerging markets

Banks

Gold

Consumer goods

*CVS Caremark, Unilever, FEMSA, Dairy Farm*

## Equity Fund

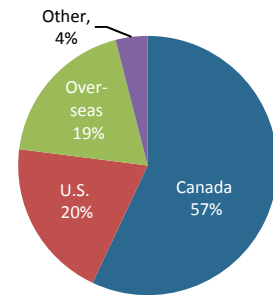
### Top Holdings

TD Bank	5.6%
Suncor Energy	5.5%
Starbucks	4.2%
Franco-Nevada	4.1%
Intact Financial	4.0%
CVS Caremark	3.9%
Baytex Energy	3.8%
Lincoln Electric	3.7%
Mead Johnson	3.7%
Novartis	3.7%

### Sector Allocation (Equities)

Industrials	21.4%
Consumer Staples	19.6%
Energy	16.4%
Financials	14.4%
Materials	12.2%
Consumer Discretionary	5.7%
Health Care	4.0%
Telecom Services	3.3%
Information Technology	2.9%

### Geographic Profile (Equities)



### Transactions

+	-
Toromont Intact FEMSA Telus	Compass Insperity Westshore Magna

### Asset Mix

Equities	91.0%
Cash & Short-term	9.0%

### Fund Size / Concentration

Net Assets	\$53,284,358
Number of stocks	25

### Fee

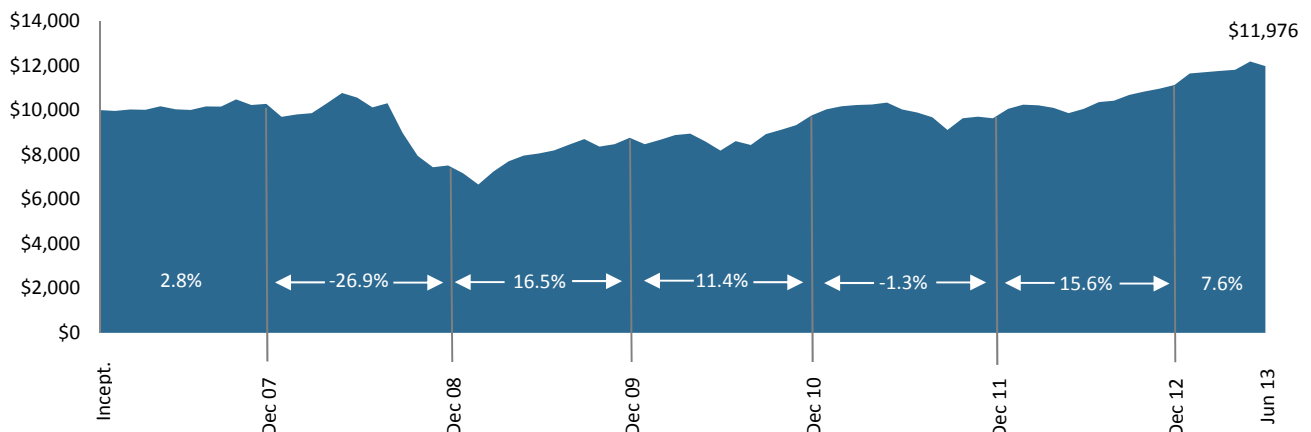
One Simple Fee 1.42% (or less)

### Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
<b>Equity Fund</b>	<b>1.8%</b>	<b>7.6%</b>	<b>19.0%</b>	<b>9.3%</b>	<b>13.5%</b>	<b>2.5%</b>	<b>2.9%</b>
S&P/TSX Composite Index	-4.1%	-0.9%	7.9%	-1.6%	5.4%	-0.5%	1.8%
MSCI World Index (\$Cdn)	4.4%	14.9%	23.0%	11.5%	14.0%	3.9%	0.3%

\*Feb 13, 2007

### Growth of \$10,000 Since Inception (Feb 13, 2007)



## Global Equity Fund

### Market Overview

- Global equity markets had a positive quarter. The MSCI World Index gained 4.4%, led by Japan (+10%). The U.S. (S&P 500 Index) gained 2.9% in U.S. dollars while European markets were mixed.
- The loonie fell 4% against the U.S. dollar (and ended the quarter below \$0.95 – a level not seen since 2011), dropped 5% against the Euro and 4% against the British Pound, all of which boosted the fund's return.

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*Investors are increasingly seeing value in cyclical stocks with strong profit growth potential and depressed valuations.*

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### Portfolio Specifics

- The manager, Edinburgh Partners Ltd., has a focus on cyclical companies where expectations are unduly negative and prospects for profit growth are strong (as opposed to companies with predictable earnings, which are expensive in their view). These types of stocks are starting to be recognized and this has been reflected in the fund's stronger performance.
- Some of the key contributors to performance this year have been cyclicals such as *Bridgestone* (tires), *Safran* (aircraft equipment), *Panasonic* (TV's and home appliances) and *SanDisk* (flash memory cards).
- Technology stocks have performed well and remain an attractive area of investment. Many manufacturing companies have held back on capital expenditures due to concerns about the economy, but the manager feels this will reverse to the benefit of equipment and technology suppliers. Key holdings include *Cisco*, *SanDisk*, *Microsoft*, *Google* and *Qualcomm* (new).
- Japanese investments have rebounded sharply this year. *Bridgestone*, *Panasonic*, *Japan Tobacco* and *Sumitomo Mitsui Financial Group* have all gained more than 40%. The country remains a key area of investment.
- Resource holdings have been an area of weakness. The portfolio has only modest exposure to oil & gas (*ENI*, *Gazprom*) and mining stocks (*Rio Tinto*), which combine to make up 6% of the fund.
- The manager took advantage of the spring volatility to add to some existing holdings on price weakness (*Carnival*, *ENI*, *Heineken*, *Swire Pacific*), while also investing in five new companies (details below).

### Notable Transactions

- New purchases included: *KDDI* (Japanese telecom), *Tyco International* (security systems), *Qualcomm* (semiconductors for wireless products), *Indra Sistemas* (IT consulting) and *Nutreco* (animal nutrition and fish feed).
- Four holdings were sold following a stretch of good performance: *GlaxoSmithKline*, *China Mobile*, *Safran* and *Singapore Telecom*.

### Positioning

- The fund continues to have a distinct value tilt with a focus on Asian and European companies with cyclical earnings.
- The technology, industrial and consumer-related sectors are important areas of investment.

Value tilt  
Cyclical  
Asian  
consumption  
*Swire Pacific, Bridgestone, Yamaha, Dongfeng Motor*  
Japan  
Europe  
Technology  
Resources  
U.S.  
*Google, Samsung, SanDisk, Qualcomm*

## Global Equity Fund

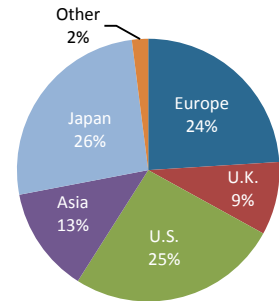
### Top Holdings

Google	3.1%
Microsoft	3.1%
Bridgestone	3.0%
Sumitomo Mitsui Fin.	2.9%
KDDI	2.8%
Carnival Corp.	2.8%
Maersk	2.8%
Japan Tobacco	2.8%
Toyota	2.8%
Johnson Controls	2.7%

### Sector Allocation (Equities)

Information Technology	22.0%
Consumer Discretionary	20.3%
Industrials	17.0%
Financials	14.8%
Consumer Staples	12.1%
Telecom Services	7.3%
Energy	4.2%
Materials	2.2%

### Geographic Profile (Equities)



### Transactions

+	-
KDDI	Glaxo
Tyco Intl.	Safran
Qualcomm	China Mobile
Nutreco	SingTel
Indra Sistemas	Aviva

### Asset Mix

Equities	96.9%
Cash & Short-term	3.1%

### Fund Size / Concentration

Net Assets	\$34,622,813
Number of stocks	41

### Fee

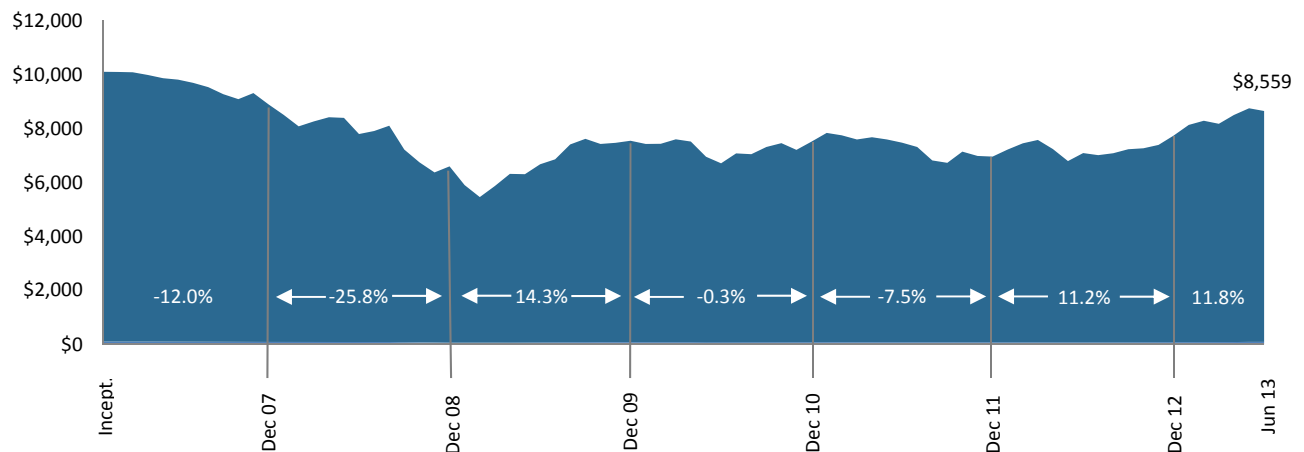
One Simple Fee	1.78% ( <a href="#">or less</a> )
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### Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
<b>Global Equity Fund</b>	<b>5.8%</b>	<b>11.8%</b>	<b>22.0%</b>	<b>7.6%</b>	<b>8.8%</b>	<b>2.1%</b>	<b>-2.4%</b>
MSCI World Index (\$Cdn)	4.4%	14.9%	23.0%	11.5%	14.0%	3.9%	0.3%

\*Feb 13, 2007

### Growth of \$10,000 Since Inception (Feb 13, 2007)



## Small-Cap Equity Fund

### Market Overview

- The Canadian small-cap market (BMO Small Cap Index) declined 7.4% in the quarter.
- The mining sector was weak and gold stocks were hit particularly hard, falling 35% as a group. The technology and health care sectors, conversely, were areas of strength.

### Portfolio Specifics

- It's worth repeating that the fund looks much different than the index. It held 17 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.
- *Badger Daylighting* has been a standout holding. The company, which specializes in non-destructive excavation, continues to generate strong operating results and has been expanding nicely. The stock has gained over 50% this year and has doubled over the past 12 months. The manager, Wutherich & Company, continues to have a positive outlook for the company but trimmed the holding in light of the strong performance.
- Investments outside the resource sector held up well throughout the recent volatility.
- Resource holdings have weighed on performance this year. The mining sector has been ravaged as a result of softening commodity prices and a difficult financing environment. While Wutherich has largely steered clear of the sector, the fund's lone mining holding, *Primero Mining*, suffered in the spring as gold stocks sold off sharply. Oil producers *Coastal Energy* and *TransGlobe Energy* also lost ground.
- The cash position currently sits at 11%.

### Notable Transactions

- *Hawaiian Holdings* was purchased. The company is the parent of Hawaiian Airlines, the state's biggest and longest-serving airline. Wutherich likes the positioning of the company in the early days of a recovery in tourism.
- The bulk of the position in *Calian Technologies* was sold. The company (and stock) has performed well, but Wutherich feels it will be challenged to meet his growth objective going forward.

### Positioning

- The focus continues to be on profitable companies that are well-financed, have minimal debt and trade at reasonable valuations.
- The addition of Hawaiian Holdings increases the fund's U.S. exposure and weighting in businesses that are more cyclical in nature. Wutherich is looking at other opportunities following the recent market weakness.

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*"Most of our companies are in excellent shape and any significant weakness in their share prices over the course of the summer would trigger buying on our part."*

- Wil Wutherich

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## Well-financed

Base metals

### Oil producers

*Coastal Energy, TransGlobe, Palliser, Eagle Energy*

## Concentration

### U.S. exposure

*Hibbett Sports, Iridium, Hawaiian Holdings*

### Little debt

## Small-Cap Equity Fund

### Top Holdings\*

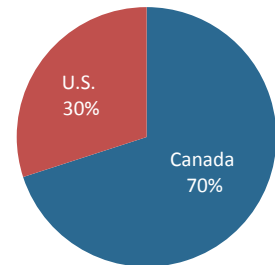
Stantec	9.3%
Hibbett Sports	7.0%
Iridium Communications	6.6%
MacDonald Dettwiler	6.5%
Badger Daylighting	6.4%
Primero Mining	5.7%
Total Energy Services	5.6%
HNZ Group	5.4%
Medical Facilities	5.1%
Evertz Technologies	4.9%

\*As of April 30, 2013

### Sector Allocation (Equities)

Energy	26.7%
Industrials	24.2%
Consumer Discretionary	14.2%
Information Technology	13.6%
Telecom Services	9.0%
Materials	6.8%
Health Care	5.5%

### Geographic Profile (Equities)



### Transactions

+	-
Hawaiian Hldgs Coastal Energy Primero Hibbett Sports	Calian Badger

### Asset Mix

Equities	89.0%
Cash & Short-term	11.0%

### Fund Size / Concentration

Net Assets	\$36,473,753
Number of stocks	17

### Fee

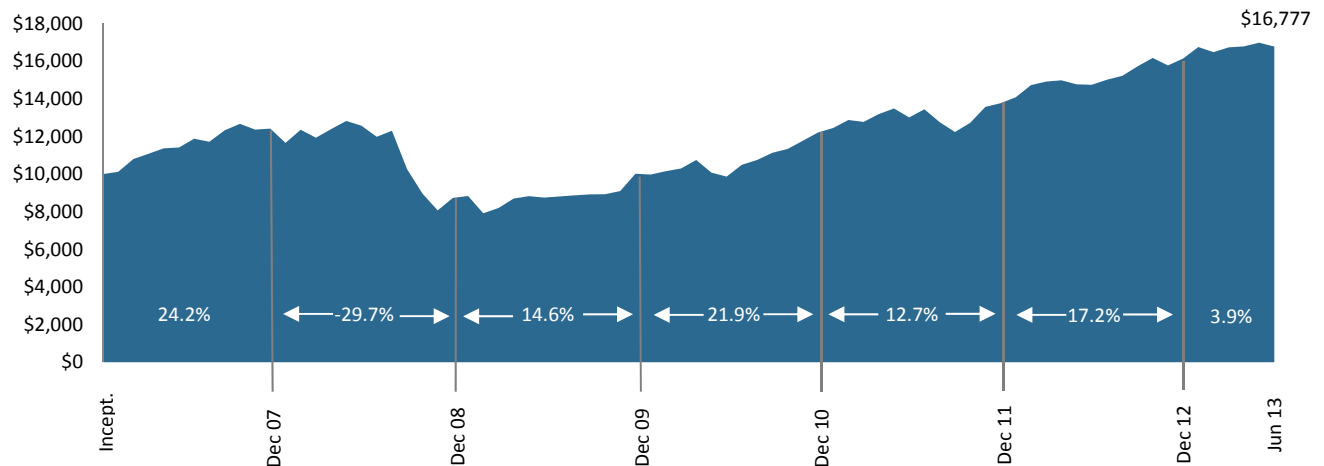
One Simple Fee 1.78% ([or less](#))

### Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
<b>Small-Cap Equity Fund</b>	<b>0.3%</b>	<b>3.9%</b>	<b>13.8%</b>	<b>13.6%</b>	<b>19.4%</b>	<b>5.9%</b>	<b>8.5%</b>
BMO Small Cap Index	-7.4%	-6.3%	2.1%	-7.3%	4.1%	1.7%	0.8%

\*Feb 13, 2007

### Growth of \$10,000 Since Inception (Feb 13, 2007)



## Savings Fund

### Market Overview

- The Bank of Canada once again left its key short-term lending rate unchanged in the quarter. It has sat at 1.0% since September 2010.
- The central bank expects global economic activity to grow modestly through the balance of 2013.
- The outlook for inflation remains muted in the Bank's view.

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*Short-term interest rates remain anchored at very low levels, resulting in meagre returns for money market investments.*

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### Portfolio Specifics

- With short-term interest rates remaining close to historic lows, investors should expect meagre returns from money market securities (T-Bills and short-term corporate paper).
- Bankers' acceptances (B/A's) remain the largest weighting in the portfolio (45% of assets). The manager, Connor, Clark & Lunn, continues to expect outperformance from these securities in an environment of low interest rates.
- Floating rate notes (FRNs) make up 18% of the portfolio. These are securities that have variable interest rates. They currently provide an attractive yield advantage over T-Bills.
- The fund's short-term corporate bond investments include *John Deere Credit* and *DaimlerChrysler Canada Finance*. These holdings provide added diversification and additional yield for the portfolio.
- The pre-fee yield of the fund at the end of June 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

- The weighting in bankers' acceptances decreased while investment in corporate notes was increased.
- Additional floating rate notes were purchased.

### Positioning

- The manager continues to maintain a defensive positioning by investing the portfolio's assets in shorter term securities as they represent better opportunity on a risk/return basis in CC&L's view.
- Roughly one-quarter of the portfolio is invested in short-dated corporate bonds (including floating rate notes) and guarantees to help provide a yield pick-up for the portfolio.

## Bankers' acceptances

## Federal T-Bills

## Short maturity

## Floating rate notes

## Reduced fee

## Savings Fund

### Top Holdings

Canada T-Bills (08/15/13)	32.0%
CIBC B/A (10/04/13)	6.8%
BNS B/A (08/01/13)	5.9%
Royal Bank FRN (04/14/14)	4.0%
Natl Bank FRN (02/25/14)	3.7%
Enbridge C/P (07/10/13)	3.7%
GE Capital FRN (02/10/14)	3.4%
Royal Bank B/A (12/04/13)	3.4%
BMO BDN (08/08/13)	3.4%
TD Bank B/A (09/11/13)	3.1%

### Yield

7-day Yield\* 1.0%

*\*This is an annualized historical yield (net of fees) based on the seven day period ended on June 30, 2013, and does not represent an actual one year return.*

### Fund Size

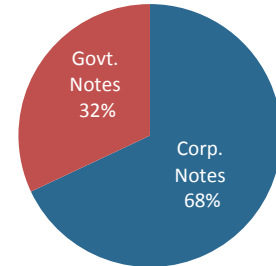
Net Assets \$7,690,229

### Fee

One Simple Fee 0.65%\* ([or less](#))

\*Temporarily reduced to 0.20%

### Issuer Allocation

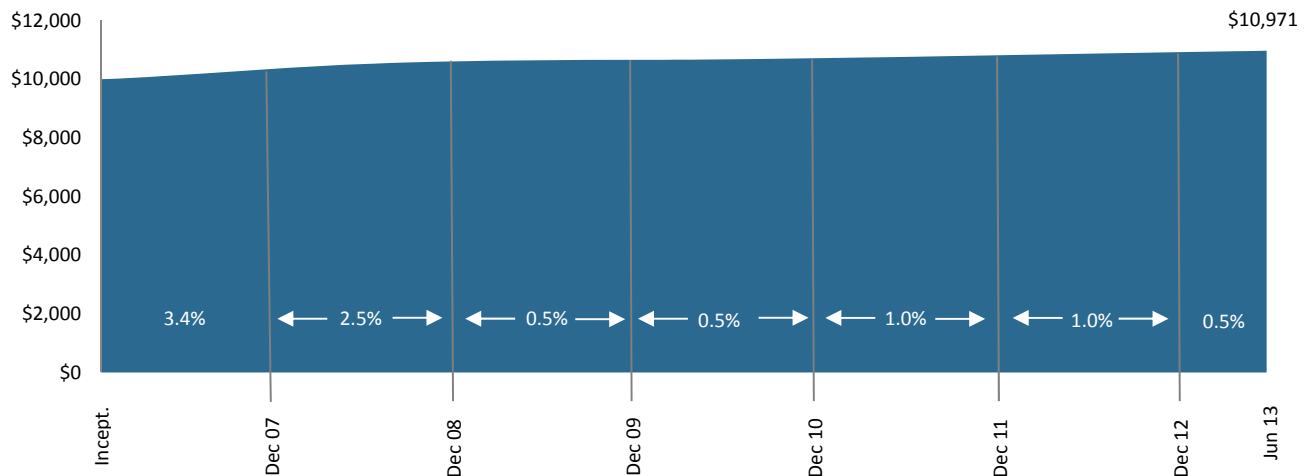


### Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	5 Y	Incept*
<b>Savings Fund</b>	<b>0.2%</b>	<b>0.5%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>0.9%</b>	<b>0.9%</b>	<b>1.5%</b>
DEX 91 Day T-Bill Index	0.2%	0.5%	1.0%	1.0%	1.0%	1.0%	1.7%

\*Feb 13, 2007

### Growth of \$10,000 Since Inception (Feb 13, 2007)





## Stock Snapshot – TOYOTA

### Overview

Toyota is the world's leading auto manufacturer, with a 10% share of the global market. Its brands include Toyota, Lexus and Scion, as well as subsidiaries Daihatsu and Hino. Toyota's longstanding strengths have been in the areas of production efficiency and product quality (notwithstanding a large and well-publicized recall in 2010). The company is also a leader in hybrid vehicles (Prius, Camry, Lexus RX400, Lexus CT200).

The stock is held in our Global Equity Fund (2.8% position size).

### Investment Case

Toyota has faced a number of headwinds over the last few years – the global financial crisis, a strong Yen, product recalls and the Japanese earthquake – that have impacted the company's profit margins and share price. Management didn't stand idle, however, and has implemented an aggressive strategy for improvement which includes: (1) increasing overseas production; (2) improving production efficiency through the introduction of *Toyota New Global Architecture* (TNGA), which will enable the standardization of parts and components across different models and reduce unit costs and development times; and (3) a renewed focus on product quality (in 2012 Toyota and Lexus scored favourably in numerous quality measures by JD Power).

Edinburgh Partners, the manager of the fund, purchased the stock early this year (since which time it has risen over 30%). They believe Toyota can improve its earnings and margins through efficiency improvements and new model introductions. As well, EP feels the company has strong growth potential in the emerging markets. Capacity is being expanded in Asia and India and there are plans to aggressively ramp up sales in China through new product launches.

Another attractive attribute is Toyota's market leadership in hybrid technology and vehicle sales. Industry experts estimate that hybrid vehicles could account for 15-20% of the global market by 2025 (up from an estimated 2.5% by 2015) and Toyota is well positioned to capitalize on this.

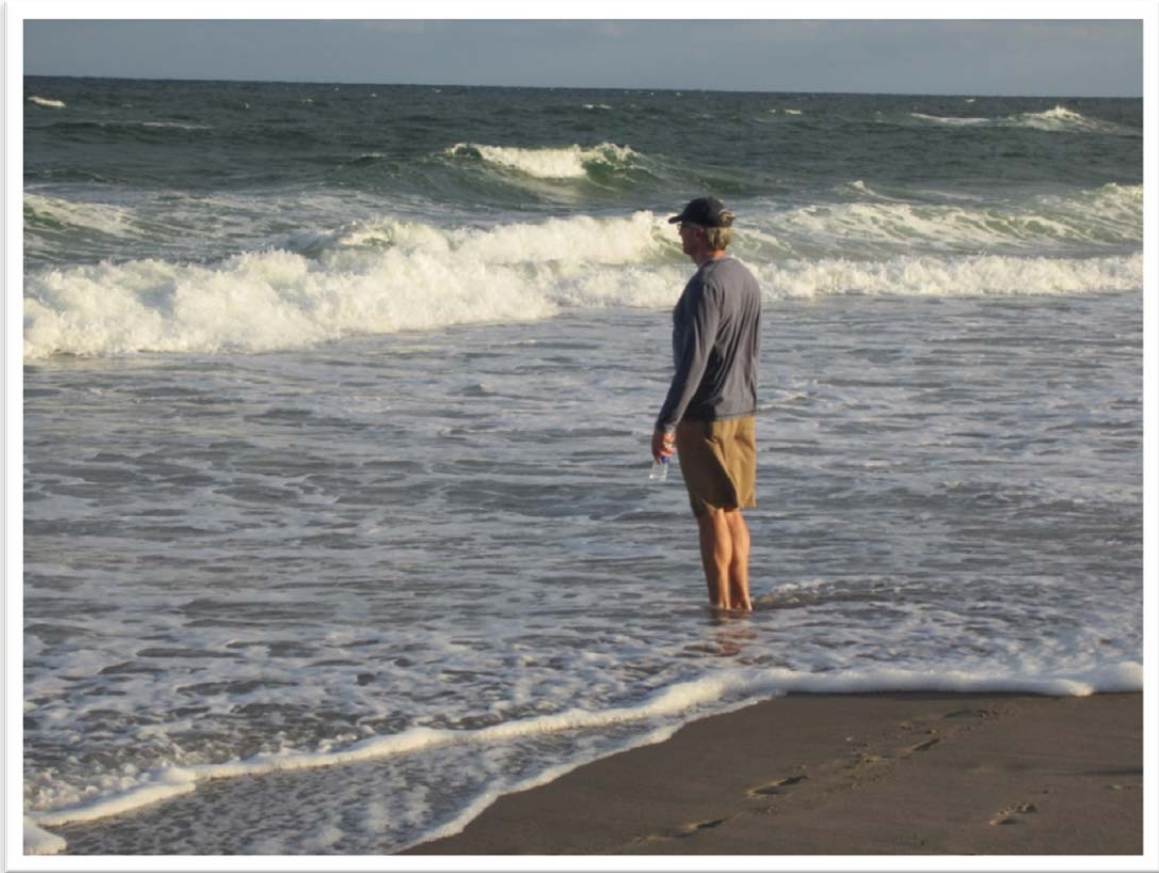
### Risks to Outlook

The main risks to Toyota's turnaround relate to the success of the various production and efficiency programs currently underway. A renewed period of strength in the Yen would also be unhelpful, although the increase in overseas production should at least partially offset this. Weakness in the North American market or unsuccessful product launches would also be a negative.

*An interesting fact:* Toyota invests \$1 million every hour in research and development worldwide.



**The lazy days of summer are upon us. The perfect time for pondering asset mix, market valuations and investor sentiment. Or whatever floats your boat.**



## 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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