Quarterly Report

Steadyhand

Q4
2016

"What's happening now, with the market seemingly out of sync with reality, happens all the time. It's just that the drama and emotion around Mr. Trump's election has made Mr. Market's ambiguities more visible."

- Tom Bradley, The Globe and Mail (December 19th)

Bradley's Brief

If we needed a year to test how disciplined our clients are (we didn't really), 2016 was it.

The year started with turmoil. By the time we were on our cross-country tour in February, the markets were down a lot. (Our message: "We're buying, so don't miss this RRSP season"). Stocks bottomed around the time of our last presentation. After a strong recovery, there was the Brexit hiccup in late June, but markets quickly recovered. In the fall, there were worries that if Trump was elected, the stock market would turn ugly. He was, but markets were off and running again.

Phew! In 12 months, we've had concern, panic, disbelief, euphoria and all kinds of election-related emotion, and out of it all came some pretty reasonable returns. Who would have thunk it in February, or June, or October?

How did our clients do? They aced the test. I think we have the only client base in Canada that is more inclined to buy on weakness than bail out. It's awesome. After almost 10 years in business, what we're most proud of is our clients' dedication to their long-term plans. There's been no slippage between our fund managers' actions and how our clients have done. Indeed, in a December blog (Holy s#&t ... 9.4%), I bragged about the role our clients have played in their success.

So, you've done your job. What about us?

Well, as far as down markets are concerned, our record is excellent. Whether it was the crisis in 2008/09, the severe correction in 2011 or the jolts of 2015/16, our counsel has been calm and correct. Our fund managers took advantage of the dislocations and we consistently recommended that clients use the weakness to rebalance their portfolios towards more stocks and/or put un-invested cash to work.

We've handled prosperity less well. Yes, we've fought vigorously to keep clients invested in stocks, but in hindsight, could have allocated even more capital to this asset class. Specifically, we've been too cautious in the Founders Fund. My unease with bonds (near-zero interest rates aren't sustainable) resulted in us maintaining a lower-than-normal weighting. But rather than investing the extra capital in stocks, we chose to put it into cash and short-term notes. If we'd bought stocks instead, returns would have been higher.

In this space, I try to put short-term events and market movements into context for our clients who are investing for the long term. As for 2017, we don't know what will happen. For sure there's more political uncertainty than usual (Trump and contentious elections in Europe), but the economic landscape is no more uncertain than any other year (there's always crosscurrents).

Nonetheless, we remain on the cautious side of the ledger because stocks look to be fully valued again. Since the election, price-to-earnings multiples have risen such that future returns are likely to be more modest, with no less volatility. In other words, we don't think it's the right time to take extra risk in search of outsized returns. As investors, we only want to be aggressive when the balance is decidedly in our favour. That's not now.

In this context, our advice to you is to stick to the plan you've laid out. If your situation has changed and you're wondering if your portfolio needs adjustment, don't hesitate to call (1-888-888-3147). Otherwise, keep doing what you're doing and we'll do the same.

Key Takeaways

Stocks

- Stocks had a good year in general, led by Canada, which was the best performing developed market. The S&P/TSX Composite Index gained 21.1% with resource stocks leading the way. Industrial goods and bank stocks were also strong performers.
- Foreign stocks rose in aggregate, with the MSCI World Index gaining 4.9% in Canadian dollar terms. The American market (S&P 500 Index) was among the leaders, with emerging markets also posting good results. Europe was more mixed.
- Currency movements had a notable impact on foreign stock returns: The Canadian dollar appreciated against the U.S. dollar (4%), Euro (7%), British Pound (23%) and most Asian currencies. This decreased the value of stocks from these countries in Canadian dollar terms.

Market Returns

	3M	1Y
Canada	4.5%	21.1%
World	4.4%	4.9%

Bonds

- The Canadian bond market (FTSE TMX Canada Universe Bond Index) provided a total return (interest and capital appreciation) of 1.7% in the year.
- Yields on government bonds fell throughout much of the year, but rose sharply in the fourth quarter. The 10-year Government of Canada bond yield ended the year at 1.7%, up from 1.4% at the end of 2015 (and up from 1.0% at the end of September). This turned into a headwind for investors, as bond prices fall when yields rise.
- High yield bonds had a standout year due in part to investors' thirst for yield.

	3M	1Y
Bonds	-3.4%	1.7%

Our Funds

- Our funds all had a positive year, with the Small-Cap Fund leading the way. Balanced clients experienced returns in the range of 6-7%.
- The Founders Fund's stock weighting remains at its long-term target (60%), while it continues to hold a lower weighting in bonds and more cash than normal.
- Our foreign stock exposure has a tilt towards Asia and Europe, rather than the U.S.
- We encourage clients to tune in to our webinar - Where to From Here? - on January 18 for a review of 2016 and our thoughts on the current investment environment. We'll also be hosting a **cross-country presentation this spring** to mark our 10-year anniversary. Stay tuned for further details!

Fund Returns

	3M	1Y
Savings	0.2%	0.7%
Income	-1.8%	5.7%
Founders	2.1%	6.7%
Equity	3.0%	10.5%
Global	6.1%	2.6%
Small-Cap	6.2%	14.8%

Our Advice to Clients

We recommend that your equity weighting be close to your long-term target. In the Founders Fund, our equity exposure is right on its goal of 60%. Our outlook for the bond market remains subdued as current yields are unattractive. As a result, we continue to recommend a below-average position in bonds. As an alternative, we suggest a healthy cash holding. In the Founders Fund, for example, 17% of the portfolio is currently held in cash.

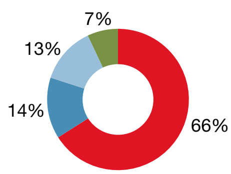
For our thoughts on asset mix and the advice we're giving clients, visit the Current Outlook page on our website, or give us a call at 1.888.888.3147.

Steadyhand Portfolios (Hypothetical)*

Compound Annualized Returns (as of December 31, 2016)

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

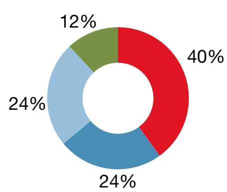
Balanced Income Portfolio (50/50)



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

3M	YTD	1Y	2Y	3Y	5Y	9Y
0.5%	6.7%	6.7%	4.5%	5.8%	7.8%	6.1%

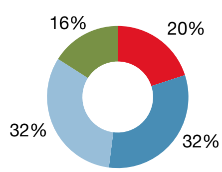
Balanced Equity Portfolio (70/30)



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

3M	YTD	1Y	2Y	3Y	5Y	9Y
2.2%	7.4%	7.4%	5.5%	6.0%	9.5%	5.9%

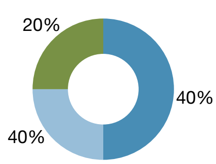
Growth Portfolio (85/15)



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

3M	YTD	1Y	2Y	3Y	5Y	9Y
3.5%	7.9%	7.9%	6.2%	6.2%	10.8%	5.6%

Aggressive Growth Portfolio (100/0)



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

3M	YTD	1Y	2Y	3Y	5Y	9Y
4.9%	8.3%	8.3%	6.9%	6.4%	12.1%	5.3%

Capital Market Performance (as of December 31, 2016)

	3M	YTD	1Y	2Y	3Y	5Y	9Y
Cash (FTSE TMX Canada 91 Day T-Bill Index)	0.1%	0.5%	0.5%	0.6%	0.7%	0.8%	1.1%
Cdn Bonds (FTSE TMX Canada Universe Bond Index)	-3.4%	1.7%	1.7%	2.6%	4.6%	3.2%	4.9%
Cdn Stocks (S&P/TSX Composite Index)	4.5%	21.1%	21.1%	5.4%	7.1%	8.2%	4.2%
Cdn Small Cap Stocks (S&P/TSX SmallCap Index)	3.1%	38.5%	38.5%	9.6%	5.4%	4.3%	2.4%
U.S. Stocks (S&P 500 Index $Cdn)	6.3%	8.6%	8.6%	14.6%	17.7%	21.2%	10.8%
Global Stocks (MSCI World Index $Cdn)	4.4%	4.9%	4.9%	11.7%	12.8%	17.4%	7.5%

*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.

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 his views on valuations, corporate fundamentals and asset mix.

Portfolio Specifics

- In early 2016, the fund's equity weighting was raised to as high as 68% to take advantage of a fall in stock prices. This benefited investors as equity markets rebounded throughout the remainder of the year despite numerous negative headlines that included a possible slowdown in China, Brexit and the U.S. election.
- In light of the rise in prices, stocks are fully valued again. We gradually reduced the equity weighting over the course of the year to its long-term target of 60%, and will continue to reduce it further if stocks trend higher.
- The fund's preference for foreign stocks (33%) over Canadian (27%) was a drag on performance. No developed market kept pace with Canada in 2016. The resource-heavy market benefited from a rebound in oil and commodity prices.
- The drivers of this year's performance are in stark contrast to last year. In 2015 our heavier dose of foreign stocks helped produce a positive return in a year when the domestic equity market was negative. Though the Founders Fund produced a positive return in 2016 as well, it didn't keep up with many Canadian-heavy portfolios. This is a good reminder of how diversification can work: rather than keep up in all markets, having a mix of industries, regions and assets classes can help smooth out returns.
- We have long been of the view that near-zero interest rates are unsustainable. Thus, the fund's bond allocation (23%) continues to be well below the long-term target of 35%. Fixed income investments are focused on provincial government and corporate bonds, with a low weighting in federal government bonds.
- While the fund's cash level came down early in the year, it's again higher than normal. Between the Savings Fund and cash held in the equity funds, it finished the year at 17% of total assets. Cash and short-term securities offer little in the way of yield, but provide protection against rising interest rates and are a ready source of liquidity in volatile markets.

Positioning

- Refer to pages 7-15 for details on the underlying funds.

The fund was up 2.1% in the quarter. Since inception (Feb 2012), it has a cumulative return of 46%, which equates to an annualized return of 8.1%.

Fund Mix

Income	31%
Equity	23%
Global	23%
Savings	15%
Small-Cap	8%

Asset Mix

Foreign Stocks	33%
Canadian Stocks	27%
Corporate Bonds	11%
Gov't Bonds	12%
Cash & Short-term	17%

Fund size	$303,659,820

Founders Fund

Attributes

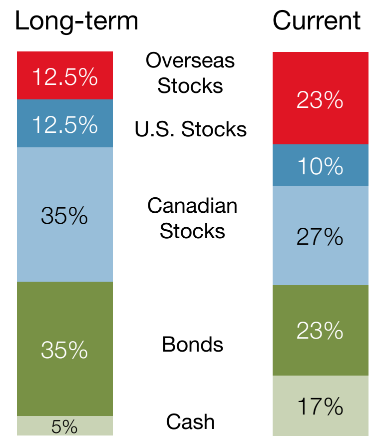
Top Stock Holdings (% of Fund)

Novartis	1.7%
TD Bank	1.7%
Suncor Energy	1.6%
Loblaw Companies	1.3%
Visa	1.3%
CCL Industries	1.2%
CN Rail	1.2%
CVS Health	1.1%
CBOE Holdings	1.0%
Ecolab	1.0%

Sector Allocation (Stocks)

Financial Services	22.4%
Industrial Goods & Svc	21.3%
Oil & Gas	10.5%
Consumer Cyclical	8.9%
Healthcare	8.5%
Retailing	7.4%
Technology	6.2%
Consumer Products	3.6%
Basic Materials	3.1%
Comm. & Media	3.0%
Real Estate	2.8%
Utilities & Pipelines	2.3%

Asset Mix



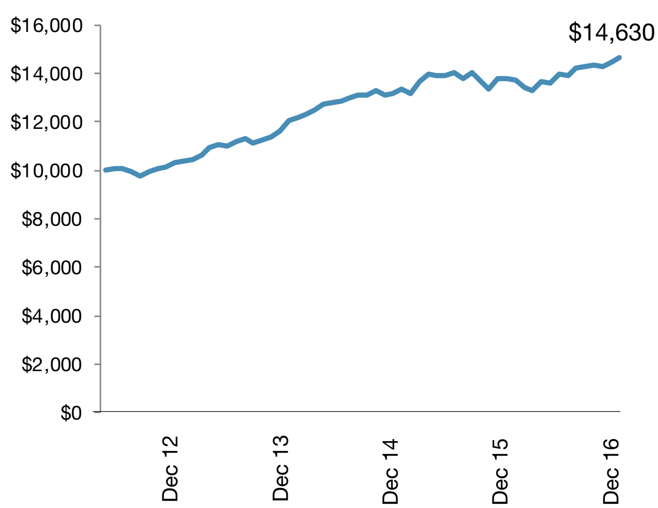
Performance

Compound Annualized Returns (as of December 31, 2016)

	3M	YTD	1Y	2Y	3Y	5Y	9Y	Incep*
Founders Fund (after-fee)	**2.1%**	**6.7%**	**6.7%**	**5.3%**	**5.9%**	**N/A**	**N/A**	**8.1%**
FTSE TMX Canada Universe Bond Index	-3.4%	1.7%	1.7%	2.6%	4.6%	N/A	N/A	3.4%
S&P/TSX Composite Index	4.5%	21.1%	21.1%	5.4%	7.1%	N/A	N/A	7.5%
MSCI World Index ($Cdn)	4.4%	4.9%	4.9%	11.7%	12.8%	N/A	N/A	16.2%

*Feb 17, 2012

Growth of $10,000 Since Inception



Best and Worst Annualized Returns

Income Fund

Market Context

- The Canadian bond market gained 1.7% in 2016 (interest and capital appreciation).
- The 10-year Government of Canada yield increased from 1.4% to 1.7%. This was detrimental for investors as bond prices fall when yields rise.
- The Canadian stock market rose 21.1%. Resource stocks were a key area of strength.

Portfolio Specifics

- Bonds comprise 75% of the portfolio. This part of the fund performed relatively well in the year, despite facing a headwind from rising yields. A preference for provincial government and corporate bonds was a positive, as these securities performed better than federal government bonds ("Canadas").
- The manager, Connor, Clark & Lunn (CC&L), increasingly took a cautious stance throughout 2016 in light of record levels of government and consumer debt. High debt levels pose a threat to economic growth.
- Corporate bonds were trimmed as a reflection of this cautious outlook and high-quality corporates are now near their lowest weighting in the fund (25%) since it was launched in 2007. That said, they remain an important component of the portfolio.
- Investments in provincial bonds were increased in light of CC&L's more guarded view.
- The fund ended the year with a 5% weighting in high yield bonds. These securities were trimmed early in the year, which proved untimely as lower quality bonds soared in 2016. The manager still sees good value in the sector, but is being very selective and has a focus on bonds that have a lower risk of default.
- Exposure to high-quality companies with growing dividends continues to be a major theme in the fund's equity strategy. Key areas of investment include banks, insurers, pipelines, REITs and consumer-related companies. These stocks performed well and have provided solid returns that have been less volatile than the overall market over time. The fund's equity holdings make up 25% of the fund.
- To take advantage of a strengthening U.S. economy, the fund holds a number of Canadian companies with exposure to American consumers, including COTT CORP (a beverage maker), WASTE CONNECTIONS (waste collection and recycling services) and RESTAURANT BRANDS INTERNATIONAL (parent of Burger King and Tim Hortons).
- The fund paid distributions totaling $0.50/unit in 2016.

Positioning

- The manager expects interest rates to remain low and favours bonds with mid-term maturities (5-7 years). Emphasis remains on corporate and provincial bonds, with a tilt towards more liquid and higher quality securities.
- Stocks make up roughly one-quarter of the portfolio and high yield bonds comprise 5%. Both asset classes provide diversification and an additional source of yield.

The fund was down 1.8% in the quarter. Since inception (Feb 2007), it has a cumulative return of 78%, which equates to an annualized return of 6.0%.

Stock Transactions

Buy

Crescent Point Energy*
Restaurant Brands Intl.*
OpenText Corporation*

Sell

Canadian Tire
DH Corp
Brookfield Renewable Partners LP

*New Holding

Fund size	$94,927,241
Pre-fee Yield	2.8%
Avg Term to Mature	10.1 yrs
Duration	7.5 yrs

Income Fund

Attributes

Top Holdings (% of Fund)

Ontario 3.15% (Jun/22)	5.2%
CC&L High Yield Bond Fd	5.0%
TD Bank 0.69% (Jan/17)	4.1%
Ontario 3.45% (Jun/45)	4.0%
Canada 3.50% (Dec/45)	3.9%
Ontario 4.00% (Jun/21)	3.6%
Quebec 3.50% (Dec/22)	3.0%
TD Bank	2.1%
CHT 2.00% (Dec/19)	1.9%
RBC 2.82% (Jul/18)	1.7%

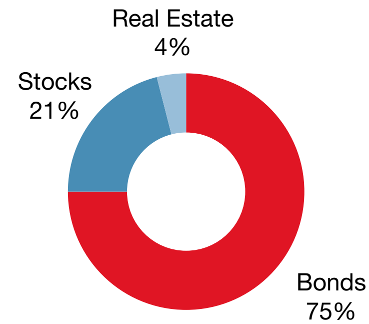
Issuer Allocation (Bonds)

Federal Government	12.8%
Provincial Government	39.3%
Corporate	47.8%

Rating Summary (Bonds)

AAA	22.0%
AA	33.6%
A	22.4%
BBB	18.6%
BB (or lower)	3.4%

Asset Mix



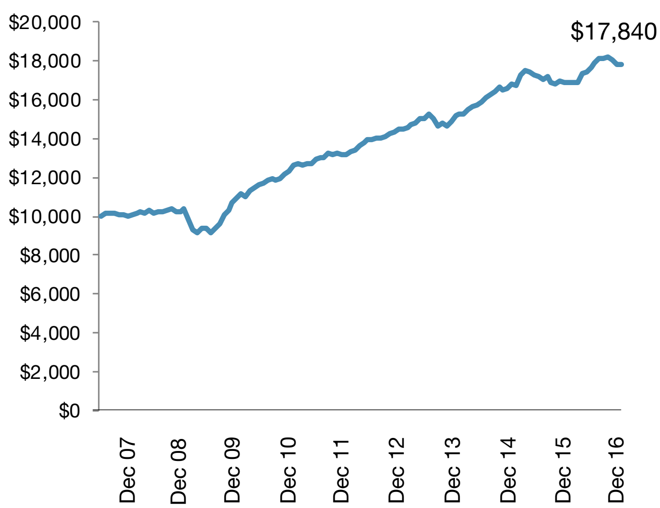
Performance

Compound Annualized Returns (as of December 31, 2016)

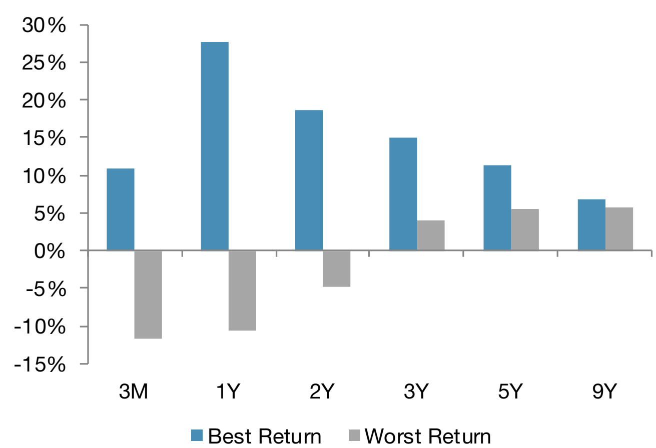
	3M	YTD	1Y	2Y	3Y	5Y	9Y	Incep*
Income Fund (after-fee)	**-1.8%**	**5.7%**	**5.7%**	**3.2%**	**5.3%**	**5.5%**	**6.3%**	**6.0%**
FTSE TMX Canada Universe Bond Index	-3.4%	1.7%	1.7%	2.6%	4.6%	3.2%	4.9%	4.8%
S&P/TSX Composite Index	4.5%	21.1%	21.1%	5.4%	7.1%	8.2%	4.2%	4.6%

*Feb 13, 2007

Growth of $10,000 Since Inception



Best and Worst Annualized Returns



Equity Fund

Market Context

- The Canadian stock market (S&P/TSX Composite Index) was one of the world's top performers in 2016, rising 21.1%. Most sectors of the market advanced, with the strongest gains coming from resource stocks (oil & gas, and metals in particular).
- Global stocks gained 4.9% (MSCI World Index) in Canadian dollar terms. While most markets were up, a stronger Canadian dollar dampened foreign stock returns.

The fund gained 3.0% in the quarter. Since inception (Feb 2007), it has a cumulative return of 86%, which equates to an annualized return of 6.5%.

Portfolio Specifics

- The fund holds 25 stocks, of which 14 are headquartered in Canada, 6 in the U.S., 4 overseas and 1 in Mexico.
- The fund had a solid year, with Canadian stocks driving performance. WESTSHORE TERMINALS, RITCHIE BROS. AUCTIONEERS and PRAIRIESKY ROYALTY were standouts.
- Foreign holdings provided more mixed results, as stocks in traditionally defensive sectors such as healthcare and consumer staples declined (e.g. NOVARTIS, CVS HEALTH), while the portfolio's holding in the infrastructure sector surged (LINCOLN ELECTRIC). This performance attribution was a reversal from last year, when foreign stocks were the standouts and Canadian holdings lagged.
- The price of oil rose more than 40% in the year, which benefited the fund's energy holdings - SUNCOR ENERGY and PRAIRISKY ROYALTY specifically.
- Investments in the broad industrial goods & services sector produced steady operating results in the year. CN RAIL (Canada's largest rail network), CCL INDUSTRIES (a leader in specialty packaging), and CAE (manufacturer of aviation simulators) delivered solid earnings and saw share price gains in the neighbourhood of 20%.
- Aside from weakness in the healthcare sector, the only other negative performer in the year was FEMSA, a Coca-Cola bottler and convenience store operator based in Mexico. The stock's decline (in Canadian dollars) was mostly attributable to a weaker peso, although poor sentiment stemming from Trump's victory didn't help. The manager (CGOV Asset Management) is not deterred by these short-term issues.
- Turnover was low in 2016. No companies were added to, or removed from, the portfolio. The manager was active, however, in trimming and increasing position sizes based on valuations.
- The fund currently has a cash position of 2%.

Transactions

Buy

Novartis
Novozymes
Franco-Nevada
CVS Health

Sell

Lincoln Electric
Westshore Terminals
Ritchie Bros. Auctioneers

Positioning

- The composition of the fund saw little change in 2016. Focus remains on best-in-class companies across a range of industries. The manager is wary, however, that high-quality stocks have had a good run and compelling opportunities are tougher to come by.
- Foreign stocks remain a key part of the fund, providing exposure to leading global companies.

Fund size	$86,633,084
No. of stocks	25

Equity Fund

Attributes

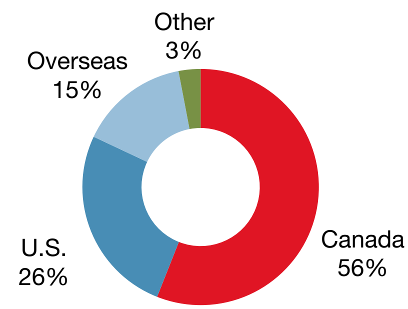
Top Stock Holdings

Suncor Energy	6.2%
Visa	5.5%
CCL Industries	5.2%
CVS Health	4.7%
CBOE Holdings	4.5%
TD Bank	4.4%
Ecolab	4.4%
PrairieSky Royalty	4.3%
Novozymes	4.2%
Franco-Nevada	4.1%

Sector Allocation (Stocks)

Industrial Goods & Svc	30.6%
Financial Services	20.8%
Oil & Gas	13.8%
Retailing	12.0%
Basic Materials	8.3%
Consumer Products	6.2%
Consumer Cyclical	4.2%
Healthcare	4.1%

Geographic Profile (Stocks)



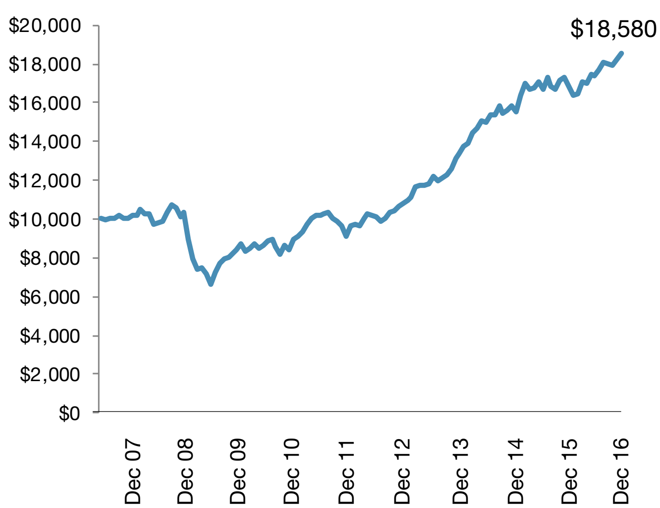
Performance

Compound Annualized Returns (as of December 31, 2016)

	3M	YTD	1Y	2Y	3Y	5Y	9Y	Incep*
Equity Fund (after-fee)	**3.0%**	**10.5%**	**10.5%**	**9.4%**	**10.6%**	**14.0%**	**6.8%**	**6.5%**
S&P/TSX Composite Index	4.5%	21.1%	21.1%	5.4%	7.1%	8.2%	4.2%	4.6%
MSCI World Index ($Cdn)	4.4%	4.9%	4.9%	11.7%	12.8%	17.4%	7.5%	5.7%

*Feb 13, 2007

Growth of $10,000 Since Inception



Best and Worst Annualized Returns

Global Equity Fund

Market Context

- Global stocks (MSCI World Index) were up 4.9% in Canadian dollar terms in 2016.
- The U.S. market (S&P 500 Index) was once again a strong performer, up 12% (in U.S. dollar terms). Many European markets posted single-digit gains, as did Japan. Most emerging markets were up with the exception of China, which lost roughly 10%.
- A big story in 2016 was the loonie's appreciation. It rose against the U.S. dollar (4%), Euro (7%), British Pound (23%) and most Asian currencies. This decreased the value of stocks from these countries in Canadian dollar terms and thus hurt the fund's return.

The fund was up 6.1% in the quarter. Since inception (Feb 2007), it has a cumulative return of 26%, which equates to an annualized return of 2.3%.

Portfolio Specifics

- The fund holds 41 stocks across 14 countries. European stocks (including the U.K.) make up 41% of the fund, while Asia also accounts for 41% and the U.S. 18%.
- It was a rough first half of the year for the portfolio (-10%). In particular, two of the fund's largest areas of investment - banks and healthcare stocks - were out of favour. The portfolio had a strong second half (+15%), however, as more economically-sensitive stocks ("cyclicals") began to gain traction with investors. Notably, European banks rebounded and many Japanese holdings provided strong returns.
- The fund's energy investments were a key area of strength in 2016, notably APACHE (a Houston-based oil & gas company). ROYAL DUTCH SHELL and BP also gained ground.
- GALAXY ENTERTAINMENT (Asian hotel and casino operator), QUALCOMM (semiconductor manufacturer) and SK HYNIX (supplier of flash memory chips) were three of the fund's top performers. This is notable because these cyclical stocks were previously unloved by investors. It's a positive sign that some of the negative sentiment that has weighed on these types of stocks is starting to abate.
- Healthcare investments were the greatest detractors to performance in the year. European drug companies NOVARTIS, ROCHE and BAYER all declined over 10%. The manager, Edinburgh Partners Ltd., feels investors have been overly negative on the sector. With promising drug pipelines, solid balance sheets and reasonable valuations, EPL feels these stocks offer compelling value.
- Bank stocks continue to be a key area of focus, with emphasis on European and Asian companies that stand to benefit from even a slight improvement in economic conditions in the two regions.
- The fund currently has a cash position of 2%.

Transactions

Buy

Synchrony Financial*
Novartis
Commerzbank
DBS Group

Sell

Qualcomm
Harman International

*New Holding

Positioning

- The fund looks starkly different than the overall global market. Specifically, it's more heavily weighted in European and Asian stocks, which the manager feels offer better risk/reward profiles than U.S. companies. In addition, the portfolio has a value bias, favouring more cyclical companies that are cheap on numerous valuation measures.

Fund size	$66,036,696
No. of stocks	41

Global Equity Fund

Attributes

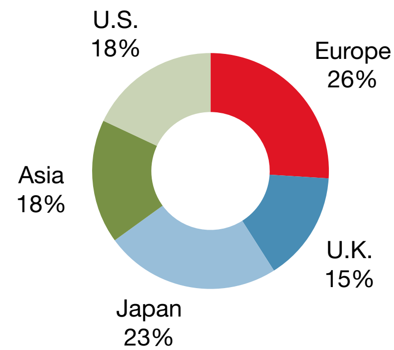
Top Stock Holdings

Shell	3.6%
Novartis	3.4%
BP	3.2%
Galaxy Entertainment	3.2%
Panasonic	2.9%
Nomura Holdings	2.8%
AstraZeneca	2.8%
BNP Paribas	2.8%
Roche	2.7%
SK Hynix	2.7%

Sector Allocation (Stocks)

Financial Services	27.2%
Healthcare	18.4%
Consumer Cyclical	16.8%
Oil & Gas	9.6%
Technology	8.9%
Industrial Goods & Svc	8.7%
Retailing	4.3%
Comm. & Media	4.2%
Consumer Products	1.9%

Geographic Profile (Stocks)



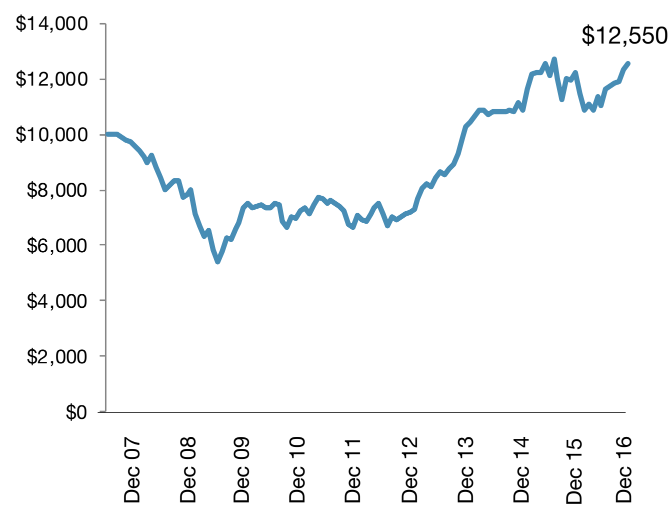
Performance

Compound Annualized Returns (as of December 31, 2016)

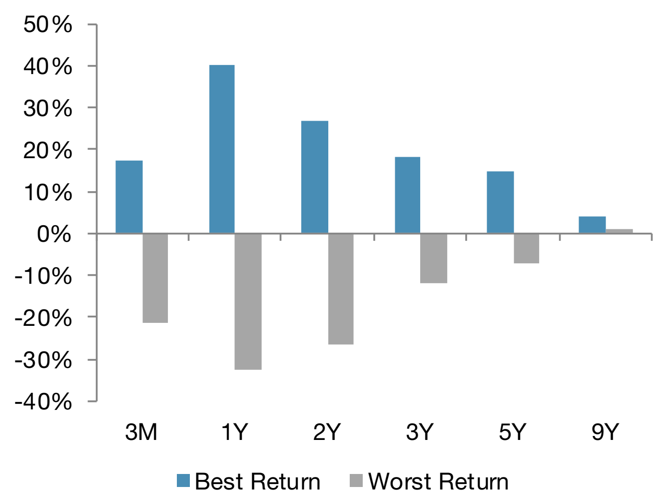
	3M	YTD	1Y	2Y	3Y	5Y	9Y	Incep*
Global Equity Fund (after-fee)	**6.1%**	**2.6%**	**2.6%**	**7.4%**	**6.3%**	**12.8%**	**4.0%**	**2.3%**
MSCI World Index ($Cdn)	4.4%	4.9%	4.9%	11.7%	12.8%	17.4%	7.5%	5.7%

*Feb 13, 2007

Growth of $10,000 Since Inception



Best and Worst Annualized Returns



Small-Cap Equity Fund

Market Context

- The Canadian small-cap market (S&P/TSX SmallCap Index) rose 38.5% in 2016. U.S. small-caps gained 18% (Russell 2000 Index) in Canadian dollar terms.
- Resource stocks led the way as energy and precious metals prices rebounded. Financial stocks also had a strong year.

The fund was up 6.2% in the quarter. Since inception (Feb 2007), it has a cumulative return of 87%, which equates to an annualized return of 6.5%.

Portfolio Specifics

- In August, we named Galibier Capital Management portfolio advisor of the fund, replacing Wutherich & Co. Both managers build concentrated portfolios with a long-term view. By appointing Galibier, however, we believe we can take advantage of a broader set of opportunities, specifically by researching and owning more mid-cap stocks in Canada (medium-sized companies) and small-cap stocks in the U.S.
- The portfolio now consists of 24 stocks, 11 of which have a market capitalization of less than $1 billion. The largest stock, NORTHLAND POWER, has a market cap of $4 billion. Investments include companies in a variety of industries, including business services, technology, transportation, food & beverages and consulting.
- The fund had a strong showing in 2016. In the first half of the year, it benefited from the rally in resource stocks, while in the second half, a number of individual stocks turned in solid gains. The fund, however, could not keep up with the broad small-cap market, which is heavily weighted in resource companies.
- Galibier's focus on companies with a sustainable competitive advantage, above-average long-term growth prospects, and appropriate financial leverage (debt), precludes most mining companies. Galibier did purchase two energy related stocks, however, late in the year, MEG ENERGY and NORTHLAND POWER.
- The sharp run up in small-cap stocks in the second half of the year resulted in Galibier trimming a number of holdings, including AG GROWTH, EXCHANGE INCOME and BADGER DAYLIGHTING. In addition, MTY FOOD GROUP was sold after rising more than 20% in less than four months.
- The fund ended the year with two U.S. stocks, ECHO GLOBAL LOGISTICS and CBIZ. The manager likes Echo Global's outlook in particular, and the stock is the fund's 2nd largest holding.
- The fund currently has a cash position of 7%.

Transactions

Buy

Diversified Royalty Corp*
Northland Power*
MEG Energy*
Spin Master*
Brick Brewing*
New Flyer Industries*

Sell

Avigilon
DirectCash Payments
MTY Food Group

*New Holding

Positioning

- U.S. companies are expected to comprise between 10-30% of the portfolio under Galibier. The fund ended the year at the low end of the range as many U.S. stocks do not currently meet the manager's valuation criteria (i.e. they're too expensive).
- Resource stocks are unlikely to feature prominently in the portfolio. In periods when these stocks are soaring, investors can expect the fund to lag. Conversely, the fund may hold up better when these stocks are struggling.

Fund size	$47,786,896
No. of stocks	24

Small-Cap Equity Fund

Attributes

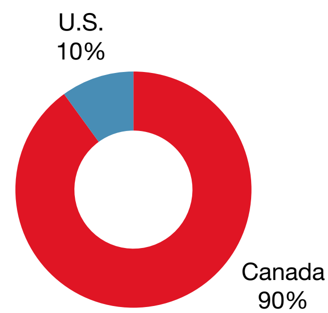
Top Stock Holdings

Stantec	6.5%
Echo Global Logistics	6.4%
Enghouse Systems	5.6%
Pure Technologies	5.5%
MacDonald Dettwiler	5.4%
Liquor Stores N.A.	4.9%
Diversified Royalty	4.8%
Points International	4.7%
Dream Global REIT	4.7%
DHX Media	4.6%

Sector Allocation (Stocks)

Industrial Goods & Svc	36.8%
Technology	20.9%
Consumer Cyclical	13.3%
Retailing	5.0%
Real Estate	4.9%
Comm. & Media	4.8%
Financial Services	4.5%
Utilities & Pipelines	4.2%
Oil & Gas	3.6%
Consumer Products	2.0%

Geographic Profile (Stocks)



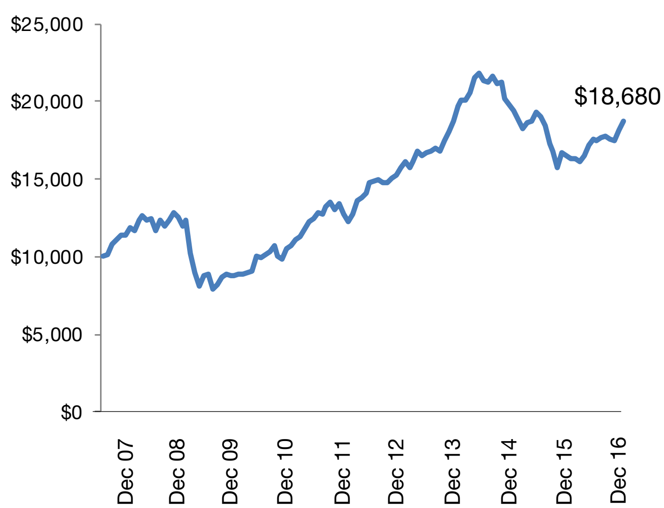
Performance

Compound Annualized Returns (as of December 31, 2016)

	3M	YTD	1Y	2Y	3Y	5Y	9Y	Incep*
Small-Cap Equity Fund (after-fee)	**6.2%**	**14.8%**	**14.8%**	**-0.4%**	**-2.4%**	**6.3%**	**4.6%**	**6.5%**
S&P/TSX SmallCap Index	3.1%	38.5%	38.5%	9.6%	5.4%	4.3%	2.4%	1.9%

*Feb 13, 2007

Growth of $10,000 Since Inception



Best and Worst Annualized Returns

Savings Fund

Market Context

- The Bank of Canada left its key lending rate unchanged in 2016, at 0.5%.
- Canada's economy had a weak first half of 2016 but rebounded in the latter half of the year. Consumer growth picked up, supported by the new Canada Child Benefit, but business investment and non-energy exports were weak. Households remain highly indebted, which is a key risk to economic growth.

Positioning

- Corporate notes (including bank paper, floating rate notes and short-dated bonds) comprised roughly 70% of the portfolio throughout the year.
- Investments in T-Bills were focused on provincial securities (rather than federal), as their yield advantage remains attractive.
- The portfolio remains defensive, focusing on capturing yield in good quality credits and monitoring opportunities from a risk-reward perspective.
- The pre-fee yield of the fund at the end of December was 0.8%.

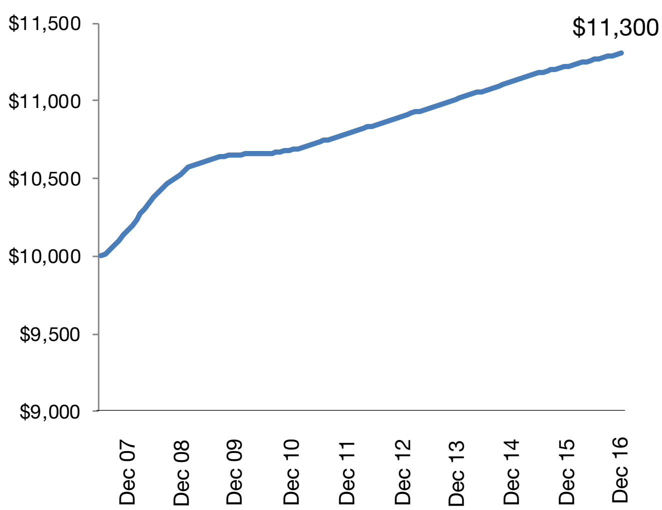
Performance

Compound Annualized Returns (as of December 31, 2016)

	3M	YTD	1Y	2Y	3Y	5Y	9Y	Incep*
Savings Fund (after-fee)	**0.2%**	**0.7%**	**0.7%**	**0.7%**	**0.8%**	**0.9%**	**1.0%**	**1.2%**
FTSE TMX Canada 91 Day T-Bill Index	0.1%	0.5%	0.5%	0.6%	0.7%	0.8%	1.1%	1.4%

*Feb 13, 2007

Growth of $10,000 Since Inception



Best and Worst Annualized Returns

Stock Snapshot

Overview

Much like Canada, Singapore is dominated by a few large local banks. DBS Group operates the DBS Bank, which is the largest of Singapore's "big three" by market capitalization.

Though headquartered in Singapore, DBS offers institutional and commercial banking services across Asia. It boasts more than 20,000 employees and a market capitalization of more than $40 billion.

The bank's origins date back to 1968 when it was set up to fund the development of Singapore soon after the country gained independence. It subsequently expanded into retail banking services and in 1998 became Singapore's largest bank (by number of retail branches) when it merged with Post Office Savings Bank.

The stock is held in our Global Equity Fund (2.5% position size).

Investment Case

DBS's international operations have grown steadily and today the bank draws almost 40% of its business from outside Singapore. This gives investors exposure to fast-growing Asian economies including China, Hong Kong, India, and Malaysia. Its Hong Kong operations have faced challenges in recent years, but management is focused on turning this around.

The company was an early adopter of digitizing banking operations, which has the potential to lower costs. Recent results signal the effort is beginning to bear fruit.

Like most banks, DBS has been facing the headwind of low interest rates. Low rates translate to lower income on the money banks loan to corporations and individuals. However, Singapore's rates have tracked U.S. rates, which are on the rise, and this has the potential to improve the bank's revenues.

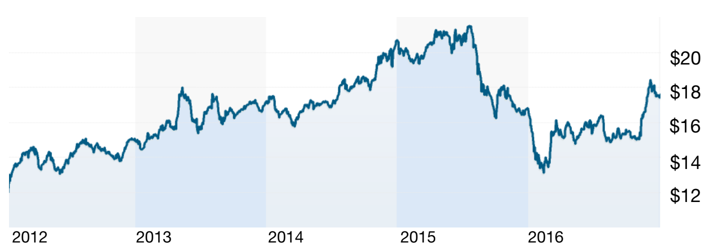
Risks to Outlook

Chinese growth has a significant impact on many Southeast Asian countries and companies – DBS is no exception.

An unstable oil price may also put pressure on the bank. Management recently revealed that it is exposed to the energy sector. It has already written down some of the loans it made to energy companies, but an erratic oil price is likely to hurt the bank's operating performance.

An interesting fact: Global Finance, a prominent banking magazine, named DBS the "Safest Bank in Asia" for eight straight years from 2009 – 2016.

DBS Group Holdings Ltd.: Price History



Source: Reuters

Investors, make this temperamental market your friend

Special to the Globe and Mail, by Tom Bradley (Dec. 19, 2016)

"The world economies are uncertain.

The world politics are confusing.

Large debts exist – countries and consumers.

High unemployment exists in many parts of the world.

China uncertainty.

Climate issues.

Can the recent surge in the equity market be explained?"

A client sent me this note last week. I thought it captured today's investor concerns very well. As to his question, here is my response. As you'll see, I come at it from two very different angles.

In the shadows

There's plenty of scary news out there and the political uncertainty is indeed off the scale. The media's spotlight is clearly focused on the negative, which isn't unusual, although it feels more intense right now.

But there are positive things going on too. Behind the headlines in the shadows are indicators that Europe is finding its legs and starting to grow, despite Brexit and political uncertainty. Obscured from sight is the fact that profit growth in Japan is topping the charts and the expansion of the middle class in the emerging economies is unrelenting.

And despite what Donald Trump says, the U.S. economy is doing just fine, thank you. Housing is strong, employment is growing and the greenback is on a roll. There are other positives, too. Conventional energy is cheap and the use of renewables is growing.

The impact of technology on how businesses and governments are run is accelerating. And stock dividends look pretty good in the context of near-zero interest rates.

The point is, the backdrop for the market is not all negative. It's a mixed bag.

The manager of Steadyhand's Income Fund – Connor, Clark & Lunn Investment Management – summed it up well in their December Outlook. "It's important to note that these changes on the political front are happening while the global economy may be in the midst of a synchronized upturn."

Not a surprise

The more important point, however, is that we should never be surprised by the market. In the short term, it's impossible to predict where it's going, or why. We all desperately want a nice, neat explanation, a cause for the effect, but it's not there. There are too many factors at play – interest rates, currencies, energy prices, central bank interventions, debt levels, demographics, politics, technology, incentives, valuations and of course, investor sentiment.

What's happening now, with the market seemingly out of sync with reality, happens all the time. It's just that the drama and emotion around Mr. Trump's election has made Mr. Market's ambiguities more visible.

Howard Marks, chairman of Oaktree Capital, put it this way: "While people search the market's behaviour for logic, there really doesn't have to be any ... sometimes the market interprets everything positively, and sometimes it interprets everything negatively."

Embrace it. Don't chase it.

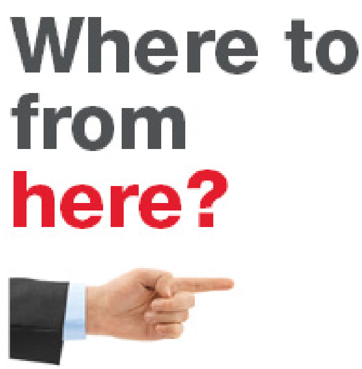
I don't spend a minute trying to figure out why the market is doing what it's doing. I do, however, provide clients with medium-term projections for asset class returns. Nothing too precise, just a range of possible outcomes that help set expectations for the next five years.

For stocks, we've been using 5 per cent to 7 per cent per annum, but given the market's strength, this range may come down a notch in the New Year. In my opinion, stocks are still the best available asset class, but it's not a time to mortgage the farm and load up the truck.

My final piece of advice to our confused client: Don't read too much into the market's mood swings. Instead, take advantage of these times. In the current context, that may mean using the strength to reposition your portfolio, possibly selling or trimming positions you're uncomfortable with. It may also include some buying because the rise hasn't been universal. There are many good stocks that have been left behind.

If you're a disciplined investor who has a plan and a good sense of value, a temperamental market is your friend and should be embraced.

Steadyhand



Webinar: Where to from here?

Tune in to our annual client presentation on **January 18** - this year in webinar format - as we walk through the key takeaways of the year and provide an overview of how our funds are positioned. Please register on our website. (For those who can't attend our live session, we'll provide a recording.)

We're also looking forward to seeing our clients in person this spring when we host a cross-country presentation to mark our 10-year anniversary. Stay tuned for details!

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