2007 Annual Report
December 31st, 2007

Performance

To December 31st, 2007 the performance of the **HughesLittle Value Fund** and **HughesLittle Balanced Fund** was as follows:

	Value Fund *(Non-RSP)*	**Balanced Fund** *(RSP)*
Pre-Distribution Unit Price	$11.91	$11.74
2007 Distribution	$ 0.74	$ 0.87
Post-Distribution Unit Price	$11.17	$10.87
One Year	+1.8 %	+5.3 %
Return since Inception	+22.5 %	+24.4 %

Notes: The Value Fund commenced operations June 30th, 2005 at a unit value of $10.00
The Balanced Fund commenced operations August 31st, 2005 at a unit value of $10.00
Performance results are net of investment management fees and Fund expenses.

Some may view our 2007 performance numbers as unexciting at best. That can however be the nature of short-term common stock returns. Obviously every one would like double digit gains each and every year. Even though we all have a little voice inside us reminding us that that is not likely to happen over the long-term, a lackluster period is no less easy to digest than too much Stollen bread and eggnog.

Your managers have been managing money for 15 years with a good overall result. And based on our experience, if the nature of future returns is similar to past returns, continuing to deliver good results will not be without years like 2007. Although our returns rarely track overall market returns a closer look at how returns are generated offers some good perspective on the rewards of enduring those rough periods that feel as if they'll never end.

Stock market returns over the 804 months from 1926 and 1993 shows that about 90 percent of investment returns occurred in only the best 60 months. In fact the returns in the best 60 months averaged about 11 percent per month while the returns in the remaining 744 months averaged only 1/100 of a percent per month (yes, 1/100 of a percent).

It's interesting to think about the investor experience outside those short periods of high performance, or 90 percent of the time when practically no returns are generated. Buy and hold investors have spent the vast majority of their time slogging along the road of negative and low monthly returns waiting for their paydays. Our experience has not been too dissimilar as we've owned many stocks that provided low or negative returns for a few years then quickly doubled.

It follows then, that the cost of not being invested during the high return periods can be steep as well. Consider another study that measured market returns from 1990 to 2005. This study shows that a buy and hold investor would have turned $10,000 into $51,354 over the 15 years. Had the investor however missed the *10 highest return days* out of a possible 3,750 trading days over the 15 years, the portfolio would be worth $31,994. If the *30 best days* were missed, the ending portfolio value would have fallen to $25,730. Had you missed the best *50 days*, the investor would have lost money and ended up with only $9,030. Market timers take heed!

We find it useful to stop and think about these sorts of studies. Even when you know you are invested in a portfolio of predominantly good, solid companies no one is immune to those wild swings in share prices that surely cause all investors emotional turmoil. So it's helpful – and highly rewarding - to stay mindful that erratic investment returns are normal and to be expected – *you will go through plenty of rain to get to the rainbow.*[1]

Portfolio Review	Value Fund *(Non-RSP)*	Balanced Fund *(RSP)*
By Asset Class		
Canadian Equities	14 %	13 %
Canadian Income Trusts	10 %	12 %
U.S. Equities	63 %	51 %
Foreign Equities	12 %	8 %
Canadian Fixed Income	1 %	16 %
By Industry		
Business Services	47 %	32 %
Consumer Products	30 %	30 %
Oil & Gas	14 %	12 %
Consumer Services	8 %	10 %
Government of Canada (bonds)	1 %	16 %

[1] We're pretty sure it was Dolly Parton who first coined this phrase in one of her songs.

During the fourth quarter we invested in one new oil and gas company and purchased more shares in several existing holdings. A full list of the entire year's activity is in the attached Investment Review section (clients only). As of December 31st, the Funds owned nine Canadian companies (including three income trusts), seven U.S. companies, one company based in England, and one in Latin America.

Both Funds are fully invested in common stocks or income trusts. The Value Funds' top five positions make up 56 percent of the Funds' assets. The Balanced Funds' top five positions make up 40 percent of the Funds' assets.

The Funds' fixed income securities are entirely Government of Canada Treasury Bills.

Overall the companies we own are predominantly sound, with solid balance sheets, and most have many years of good growth ahead. While most of our companies are doing just fine, a few are currently experiencing challenging business conditions. That is of course a reality of investing in operating companies and 2007 was not unlike any other year – past or future. Not everything can be roses all the time with every company.

As for the current challenges facing a few of our holdings they are short-term and normal for these businesses. We don't expect any of these issues to have a significant impact on underlying business values. These challenges have however caused the share prices of some of our holdings to decline.

As we've experienced so many times over the years, challenging business conditions and/or falling share prices can be highly beneficial to our long-term returns. We've made, by far, some of our highest return investments during periods of poorer economic conditions or during unsettled markets. Although some short-term pain was endured, the stock market collapse in the early 2000's or more recently, the taxation changes for income trusts, generated many tremendous investments. Sometimes we can't figure out why bear markets aren't more popular – that's when the big money is made.

Clients can read a more thorough discussion of our portfolio holdings in the 2007 Investment Review. Prospective clients will have to call us to get a copy of this report.

Annual Distribution

The Funds distribute their net income and realized capital gains to unit holders annually. The Funds do this so the Funds themselves do not pay tax.

This year's distributions are 74 cents per unit for the Value Fund and 87 cents per unit for the Balanced Fund. Distributions are automatically reinvested in additional units of the Funds for each unit holder (unless we are instructed otherwise for Value Fund unit holders only).

Unit holders of both Funds should have already received a confirmation of their distribution. Value Fund unit holders will also receive on or before February 28^{th}, 2008 a T3 Supplementary. Both the Value Fund confirmation statement and the T3 Supplementary give a breakdown of the types of income that made up the distribution. The T3 Supplementary form is necessary for income tax purposes.

Unit holders in the Balanced Fund are not sent a T3 Supplementary because the distribution is non-taxable for RRSPs, registered plans, and RRIFs.

Fund Expenses

The 2007, 2006 and 2005 Management Expense Ratios (MER's) for the funds are as follows:

	2007	**2006**	**2005**
HughesLittle Value Fund	1.30 %	1.61 %	2.04 %
HughesLittle Balanced Fund	1.36 %	1.40 %	1.70 %

The MER reflects all expenses charged to the Fund throughout the year. These expenses include: investment management fees, audit, trustee, custodian, administration, and GST. Details of these expenses are disclosed in the Fund's year-end financial statements.

The MER is expressed as a percentage of the average assets within each Fund over an entire year. The performance results we report to you are after deducting these fund expenses. We expect the MER's to decline in 2008 with a lower GST rate and as the Fund's assets grow.

Financial Statements

The Fund's auditors, Berris Mangan Chartered Accountants, will send audited Financial Statements for each Fund separately to all clients no later than March 31st, 2008. The audited financial statements include a complete list of each Fund's portfolio investments as of December 31st, 2007.

Commencing January 1, 2007 the Canadian Institute of Chartered Accountants made a change to the way Financial Instruments (stocks and bonds) are presented for Financial Statement reporting purposes.

As a result of these changes the Funds now have to keep two sets of books. One set for Financial Statement reporting purposes and the other set for transaction purposes (the buying and selling of units). As a result of this reporting change the Net Asset Value for Financial Statement reporting purposes will differ from the Net Asset Value we use for transactional purposes. This change is for reporting purposes only and will not effect how we calculate the unit price for the Funds when you are buying and selling units.

The Notes to the Financial Statements explain more fully the extent of the differences and also provides a reconciliation between the two reporting methods. The Financial Statements will not however include our opinion on the necessity of this change in reporting methods.

2008

We are, as usual, short on any grand predictions for the coming year. We'll continue to exercise diligence, patience and humility. We will say this: the companies owned by the Funds are predominantly solid and most are great value at current prices. We estimate about 40 percent of The Value Fund (30 percent of The Balanced Fund) is currently selling close to half-off of fair value. This makes us optimistic about our future returns.

We fully realize and appreciate that you have entrusted us with your financial assets. As such, we will continue to do our best to take proper care in the work we do for you. With our money invested along side yours, we continue to work hard to achieve our long-term investment goals.

We wish all of you the best in your various endeavours over the coming year. Please do not hesitate to contact either of us if you have any questions or comments.

Kind Regards,

Joe Little Mark Hughes

January 18th, 2008