

THIRD QUARTER REPORT

September 30th, 2014

Performance

To September 30th, 2014 the performance of the **HughesLittle Value Fund** and the **HughesLittle Balanced Fund** was as follows:

	Value Fund <i>(non-RSP)</i>	Balanced Fund <i>(RSP)</i>
Unit Price - September 30 th , 2014	\$ 20.10	\$ 14.66
Unit Price - December 31 st , 2013	\$ 18.91	\$ 13.91
Distributions Paid Per Unit Since Inception	\$ 1.54	\$ 4.42
 Nine Months	 6.3 %	 5.4 %
 Annualized Return Since Inception	 9.4 %	 9.2 %
Annualized Return S&P/TSX	7.5 %	6.7 %
Annualized Return S&P 500 CDN\$	6.8 %	7.0 %
Annualized Return 50/50 Benchmark	7.2 %	6.9 %

Notes:

- *HughesLittle performance results are in Canadian dollars and are after all fees and expenses.*
- *HughesLittle Value Fund commenced operations June 30, 2005.*
- *HughesLittle Balanced Fund commenced operations August 31, 2005.*
- *S&P/TSX and S&P 500 are total return in Canadian dollars.*
- *Benchmark is 50% S&P TSX total return and 50% S&P 500 total return in Canadian dollars.*
- *Past performance is not a guarantee of future performance.*

Although we are not basking in the gratification that comes with beating our benchmark so far this year, 2014 has been a fertile operating environment which should bear fruit in the years to come.¹ The underlying performance and fundamentals of our existing holdings continues to be good to excellent. Share price performance of our companies on the other hand has been

¹ In the spirit of balanced reporting, the Funds have beaten our benchmark comparison in six of the last seven years. As well, the Balanced Fund is the top performing fund in the API Performance Survey for the past four years and second best over the past two years. See attached Performance Summary.

mixed. This has given us the opportunity to add to several existing positions and make some changes. Both Funds this year for instance have invested in two new companies. Capital for these investments has come from new capital and from the sale of three common stock positions in the Value Fund and two sold in the Balanced Fund. The Value Fund now owns shares of 17 companies and the Balanced Fund 18 companies.

Cumulatively, the positions sold and the new companies purchased each represented about 10 percent of the market value of both Funds. In terms of annual turnover of positions, 10 percent is slightly above our historic average and above what we are striving for.

Ideally, there would be no reason to sell any of our holdings and portfolio turnover would be near zero. In this ideal world, our companies would unabatedly grow in value and our unit prices would follow suit at a double digit rate. Transaction costs and yearly capital gains taxes would be slim-to-none.

Regrettably, we are not smart enough to live in that world. In fact, since the Funds' inception nine years ago, we have owned and sold at least ten positions that we don't own today. Yes, there were a few holdings we bought and sold that made spectacular profits because we were spectacularly right (or lucky). There were also a few where we made spectacular losses because we were spectacularly wrong (or unlucky). Most were unspectacularly in the middle.

Regardless of whether we've made money, when we decide to switch from one stock to another it usually indicates a mistake. Why else would we switch? As for the common stocks sold this year we did make an overall profit. Locking in a profit though, was not the impetus for selling. We divested ourselves from those companies because we think the two new companies purchased are better businesses - and will be better investments - for the long-term.

Our ultimate objective is to own a portfolio of competitively strong, fundamentally sound companies that grow in value at double digit rates over many years. That is harder to do than it sounds. From time-to-time, an initial appraisal of one or more of our companies turns out to be flawed and it must be sold. Sometimes - like this year - we simply find a company that has more promise than an existing holding and at other times cash is a better option. The ugly truth of this process is, it is not a perfect process...it evolves with our thinking about the companies we own and don't own.

Guiding our decisions is our research; the purpose of which is to assess and reassess businesses and be constantly looking for suitable investments. Over the past several years we have expanded our research efforts. Every year we study more companies, countries, and cultures. We regularly estimate the intrinsic value of dozens of companies. We also continue to widen our net geographically. Our research has taken us to Mexico, UK, Spain, Italy, Germany, Turkey, United Emirates, India, China, and the U.S.

We mainly own consumer products and services companies. The field research we do gives us a first-hand look at what's happening in different markets. No amount of reading or internet searches can match the perspective we get from walking the aisles of corner stores and chatting with shop keepers. We form our own insights into things like local spending and consumption behaviour, competitive brands, and prices...and in turn we form our own conclusions.

Our research over the past few years continues to show that there is rising demand for many of the consumer products and services we own. Oreos and Coca-Cola are in shopping baskets in Dubai, Istanbul, Mexico City, and Hong Kong for instance, increasingly as often as in Seattle, Los Angeles, and Toronto.

Portfolio Review

Both Funds have grown in size over the past year due to market value gains and new money invested. The Value Fund now has assets of about \$87 million and the Balanced Fund \$45 million. HughesLittle also manages several private accounts for individuals, foundations, and pension plans.

During the third quarter the Funds invested in two existing positions. The Funds also eliminated one position and made a partial sale of one other.

We include a full list of the quarter's buy and sell activity in the attached Investment Review.

As of September 30th, the Value Fund is 94 percent invested in 17 companies. The Fund owns five Canadian companies, eight U.S. based companies, and four holdings based outside of North America. The Value Fund's top ten positions make-up 75 percent of the Fund's assets.

The Balanced Fund is 85 percent invested in the common shares of five Canadian companies, eight U.S. companies, and five companies based outside of North America. The Balanced Fund's top ten positions make-up 62 percent of the Fund's assets.

2014 Distribution

The distribution per unit for the HughesLittle Value Fund is estimated to be in the range of 30 to 34 cents per unit; 17 cents per unit being the capital gains portion.

If you would like to receive your distribution in cash please let us know by mail, email or fax by December 15th.

The distribution for the HughesLittle Balanced Fund is non-taxable for unit holders.

Miscellaneous

Enclosed with this report for clients are:

1. The 2014 Third Quarter Investment Review
2. Your Client Statement.

Kind Regards,

Joe Little
October 14th, 2014

Mark Hughes